

ČESKÁ KONSOLIDAČNÍ AGENTURA

ANNUAL REPORT FOR THE YEAR 2002

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INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR



Dear colleagues, dear business partners,

let me, on the occasion of submission of the Annual Report for the year 2002, evaluate the activities and results of Česká konsolidační agentura in 2002 and outline the future direction of operations of the Agency, established especially with the aim of addressing the problems of local banks and companies.

After the year 2001, when Konsolidační banka Praha underwent a unique transformation from a banking institution to a non-banking entity - Česká konsolidační agentura - the year 2002 quite obviously proved our readiness to fulfil our missions and tasks.

Only now, with the benefit of hindsight after the precipitate events of 2002, caused especially by a massive transfer of assets from ČSOB I may note that the decisions taken in the past period were prepared with a high professional standard.

During the privatization of major Czech banks and after the collapse of IPB hardly anyone was able to envisage, how demanding the work to be done in the subsequent period would be and how enormous the scope of problems to be addressed would be and finally, what would need to be paid for in the future. Nevertheless, certain major business cases affect the entire Czech economy and the solutions adopted affect particular groups of people. In this connection, I am glad that problems and loss-making assets that have accumulated in the course of the past years in Konsolidační banka Praha, or in Česká konsolidační agentura and their subsidiaries are being resolved in co-operation with other state institutions transparently and promptly, with the emphasis put on effectiveness and activity, using all lawful means available. Česká konsolidační agentura, as the state-owned service organization, effectively helps to return assets into the finance flow and revitalize economic relations between individual entities.

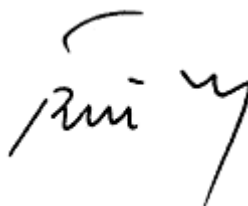
At the beginning of the year 2002, Česká konsolidační agentura, in co-operation with the Ministry of Finance, adopted as the core strategic mission for its operations the strategy of prompt exit of assets from the portfolio of ČKA with the aim of immediate collection and minimization of asset administration costs in time. As the main tool for the implementation of prompt exit of assets it was determined to be the use the block sale of assets in the order of tens of billions of Czech crowns. In the course of 2002, Česká konsolidační agentura subsequently prepared and successfully realized the biggest sale of risk and low quality receivables. The entire process of asset exit was supervised by the Supervisory Board.

Despite the fact that ČKA is not designed to be a profit-making organization, it still may, prior to its winding-up, contribute greatly to the solution of tasks of state administrative bodies. In view of the fact that Česká konsolidační agentura has available extensive know-how for the treatment and realization of doubtful assets, a team of professionals and the specialized management system, including information technology, it is possible to use its potential for the centralization, effective management and realization of doubtful and low quality assets accumulated by other state institutions, such as Česká správa sociálního zabezpečení. Česká konsolidační agentura is fully aware of its role in the public finance system and is ready to meet the expectations of the Government of the Czech Republic and fulfil the tasks assigned to it by the Government of the Czech Republic.

Hand in hand with the aim of minimization of losses to be covered from public finance, I am also aware of our role in the broader all-European context with the harmonization of processes, based on the requirements of the European Union, is under way in order to create a transparent business environment. I can state with pride that Česká konsolidační agentura plays an active role in the creation of such an environment.

I greatly appreciate the efforts of the employees of ČKA and its subsidiaries and I am therefore pleased to take this opportunity to thank them for their work, wishing for us to keep up good co-operation relations even in the future.

Prague, 27 March 2003

A handwritten signature in black ink, appearing to read 'Pavel Řežábek', with a stylized flourish at the end.

Pavel Řežábek
Chairman of the Board of Directors, General Director

PROFILE

Česká konsolidační agentura (also ČKA or the Agency) as the legal successor to the state financial institution Konsolidační banka Praha, s.p.ú. (KOB) is a central institution performing the administration of low quality assets in the Czech Republic.

The original Konsolidační banka, s.p.ú. (the federal Consolidation Bank) was established primarily with the aim of resolving the doubtful credits of the centrally planned economy and for the purpose of financing and support for development projects of major Czech companies. As the state financial institution, established by the Ministry of Finance of the ČSFR, without the network of branches, the federal Konsolidační banka assumed the loans for high turnover inventories from companies and purchased low quality assets from banks in connection with the reduction of their debts and restructuring. After the dismemberment of the ČSFR the federal Konsolidační banka was wound up and Konsolidační banka Praha, s.p.ú. was founded. The assets of the federal Konsolidační banka were split into Czech and Slovak parts. KOB extended the scope of its activities also to the area of development programs and restructuring. By its assumption of a large number of doubtful receivables, especially that of Česká spořitelna, a.s. (ČS) and Komerční banka, a.s. (KB), KOB contributed to the successful privatization of major state-owned banks. KOB, as a banking institution, provided loans and received deposits from its clients.

In 2001, based on Act No. 239/2001 Coll., KOB was transformed. As at 1 September 2001 Česká konsolidační agentura was founded, as a legal successor to KOB, a non-banking entity assigned with the mission to actively, promptly and in a transparent manner resolve most doubtful assets and with the target of maximizing the proceeds for the state (i.e. minimize the losses to be covered from the state budget). ČKA is not a bank and under the existing law it is not allowed to receive deposits from clients and does not provide new loans. In the course of completion of KOB activities, ČKA is authorized to use all tools that were available to KOB. The liabilities of ČKA are guaranteed by the state.

The Board members are appointed, at the suggestion of the Ministry of Finance, by the Czech Government; the Supervisory Board of ČKA is elected by the Chamber of Deputies of the Czech Parliament. The Board of Directors is a statutory and management body and decides all matters related to ČKA. Executive powers of the Board of Directors are limited under the law by the nature of the relevant operation; some operations are approved by the Supervisory Board of ČKA, the Ministry of Finance or the Government.

ČKA approaches the issue of the solution of doubtful assets with the aim of achieving maximum recoverability as soon as possible and with minimum administrative costs. The solution processes must be carried out in a transparent manner, the client-oriented approach is applied consistently, and the issue of each debtor is resolved in accordance with a strategy approved in advance and updated subject to changing conditions. Employees are motivated to fulfil ČKA's goals.

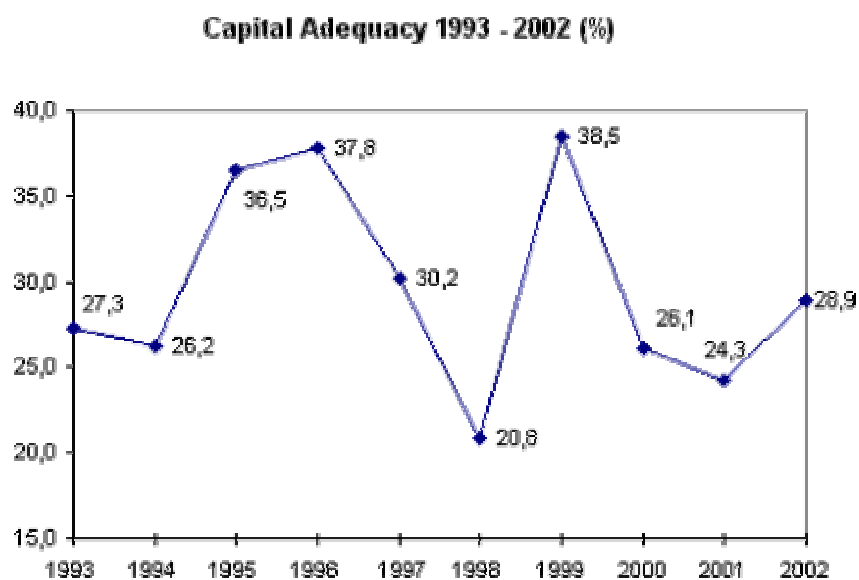
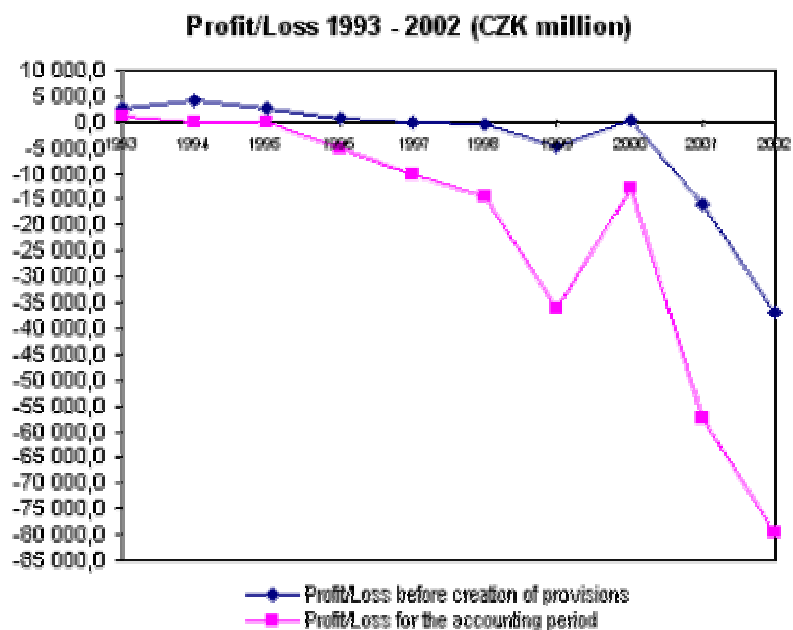
The core activities of ČKA consist of the administration and realization of assets. In the case of companies, which are able to prove their viability and meet their liabilities, ČKA uses the restructuring strategy or the repayment strategy. In the case of companies determined by the Government, with respect to which it is in the interest to realize their sale to a strategic partner, ČKA seeks a strategic partner. Methods of solution of low quality assets consist of the sale of ownership interests, assignment of receivables, realization of collateral and solution by legal proceedings and execution. In the case of the solution of low quality assets ČKA fully uses the possibilities of bankruptcy proceedings and liquidation. Its main criterion in the designing of a particular debtor solution strategy is the anticipated amount of the proceeds from such operation and other possible costs incurred in the administration of the given debtor.

The assignment of receivables to third parties is performed either on an individual or a block basis. In accordance with its prompt exit strategy and its financial plan, ČKA in 2002 performed the sale of a receivable block valued at some CZK 37.8 billion. In 2003 ČKA anticipates the continuation of its block sales.

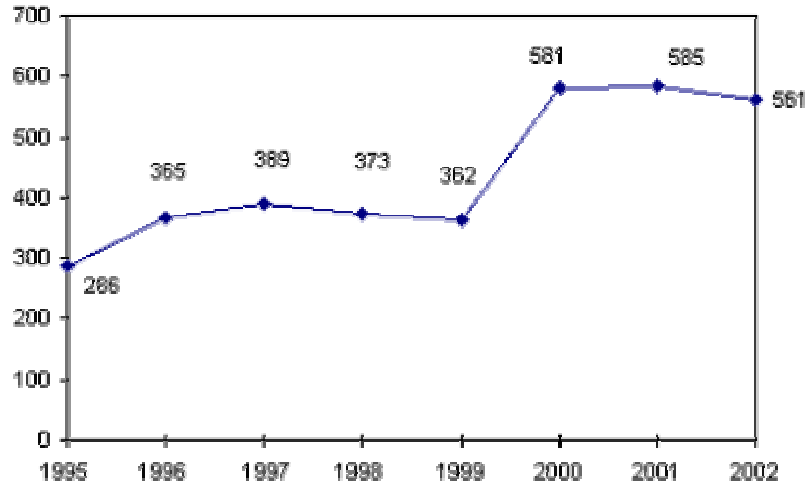
The ČKA group companies use a similar system of standards as the one applied by ČKA itself and their strategy is an integral part of ČKA's strategy. The processes used by these companies are fully compatible.

The emphasis put on maximum effectiveness and solution of doubtful assets means that, on the assumption of a smooth realization of all transactions, ČKA would within 1-2 years be a negligible problem for the state in terms of the volume of the assets administered and future losses.

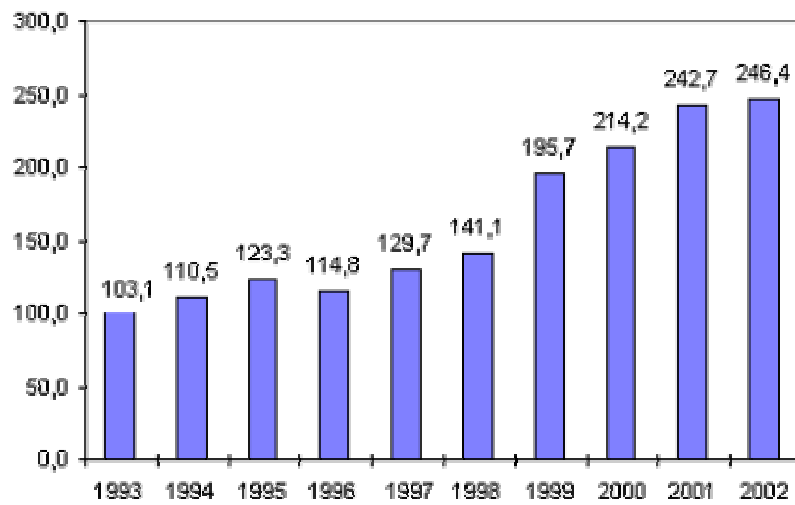
SELECTED INDICATORS



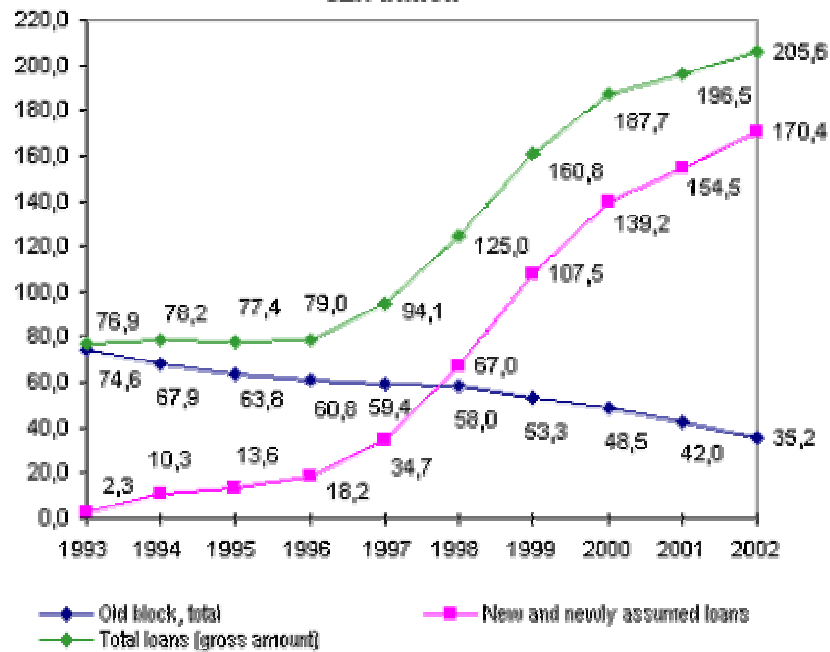
**Average Recalculated Number of Employees
1995 - 2002**



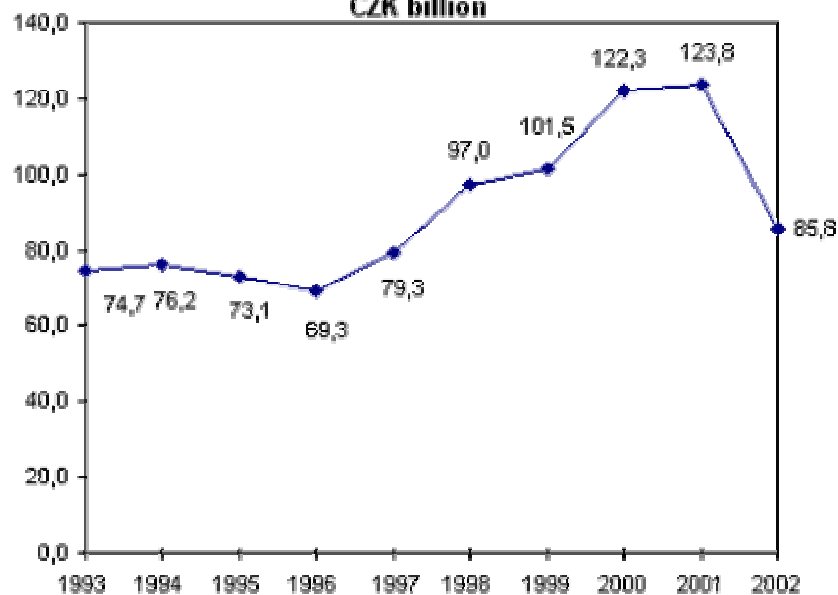
**Development of Total Assets/Liabilities 1993 - 2002
(CZK billion)**



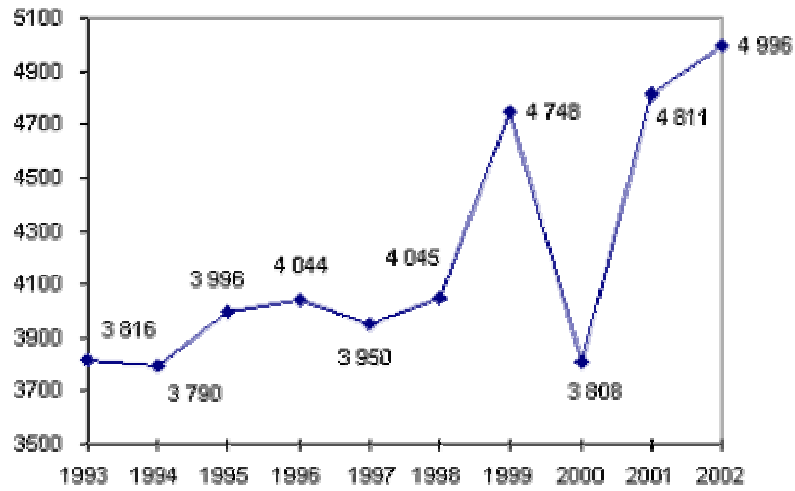
**Due from customers 1993 - 2002 (gross amount),
CZK billion**



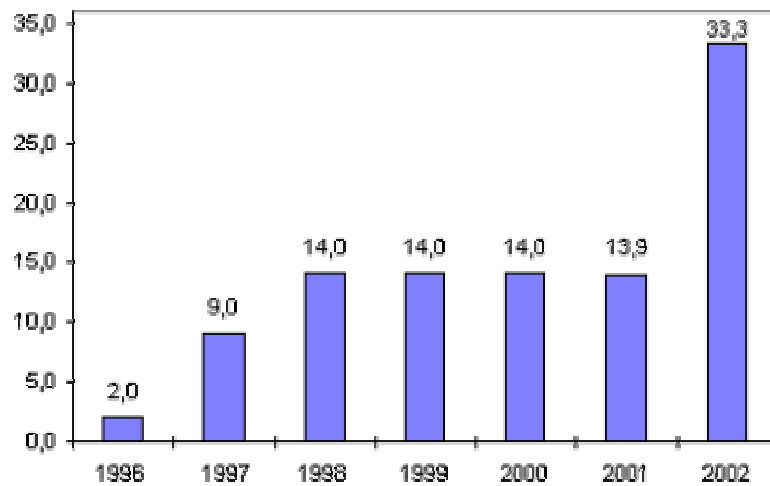
**Due from customers in 1993 - 2002 (net amount)
CZK billion**



Number of clients 1993 - 2002



Securities issued 1996 - 2002 (CZK billion)



Development of KOB/CKA in 1991 - 2002 in figures

Aggregate Balance Selected items CZK billion	Czech and Slovak Federal Republic KOB, s.p.ú. (Federal)				Czech Republic KOB Praha, s.p.ú. (Czech)								CKA	CKA
	1991		1992		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Total	of which Czech share	Total	of which Czech share										
Selected Assets														
Due from banks (net amount)	0,7	0,4	0,7	0,7	2,1	6,9	7,1	7,2	9,5	13,6	15,6	20,9	32,4	53,3
Due from customers (net amount)	110,4	80,1	104,8	78,2	74,7	76,2	73,1	69,3	79,3	97,0	101,5	122,3	123,8	85,8
Securities (debt, shares, mutual shares)	-	-	0,1	0,1	8,1	3,2	18,2	18,8	17,6	15,4	15,4	0,3	4,8	2,6
Participation interests (net amount)	-	-	-	-	-	10,4	10,6	10,5	8,6	9,1	9,9	5,6	3,9	5,0
Selected Liabilities														
Redistribution loan	61,1	38,8	55,5	38,8	38,8	38,8	38,8	36,8	36,8	32,4	28,3	12,8	11,7	10,7
Due to banks	49,5	31,8	28,1	28,1	29,1	27,2	26,2	25,6	41,0	57,4	101,1	110,9	102,6	102,0
Due to customers	-	-	12,7	9,0	7,6	12,3	9,5	8,5	5,9	3,8	4,5	11,7	29,3	30,3
Securities issued	-	-	-	-	-	-	-	2,0	9,0	14,0	14,0	14,0	13,9	33,3
Provisions	0,9	0,5	1,5	1,5	1,8	5,8	6,1	6,3	6,3	6,3	7,4	13,0	44,0	38,4
Reserve fund	0,4	0,3	0,4	0,4	17,1	17,4	32,4	32,2	31,5	31,4	31,4	31,4	29,3	26,0
Share capital	-	-	1,0	1,0	5,0	5,9	5,9	5,9	5,9	5,9	5,9	5,9	5,9	5,9
Total Assets/Liabilities	111,9	83,5	107,2	79,9	103,1	110,5	123,3	114,8	129,7	141,1	195,7	214,2	242,7	246,4
Loan Portfolio (CZK billion)														
- Loans for high turnover inventories (TOZ)	110,4	80,1	92,7	66,1	62,3	55,7	49,7	42,3	39,4	37,7	33,0	29,5	25,9	21,7
- Purchased loans (KB,IB)	-	-	15,1	15,1	12,3	12,2	11,4	9,9	9,2	9,1	8,4	8,0	6,0	5,3
- Restructured loans	-	-	-	-	-	-	2,7	8,6	10,8	11,2	11,9	11,0	10,1	8,1
Old block, total	110,4	80,1	107,8	81,2	74,6	67,9	63,8	60,8	59,4	58,0	53,3	48,5	42,0	35,2
New and newly assumed loans	-	-	-	-	2,3	10,3	13,6	18,2	34,7	67,0	107,5	139,2	154,5	170,4
of which: loans assumed to DBV										15,0	13,7	12,6	11,5	10,4
EIB development loans										12,9	18,0	-	-	-

													23,3	80,3
from IPB/ČSOB														
Total loans (gross amount)	110,4	80,1	107,8	81,2	76,9	78,2	77,4	79,0	94,1	125,0	160,8	187,7	196,5	205,6
Provisions	-	-	-3,0	-3,0	-2,2	-2,0	-4,4	-9,7	-14,8	-28,1	-59,3	-65,4	-72,7	-119,8
Total loans (net amount)	110,4	80,1	104,8	78,2	74,7	76,2	73,0	69,3	79,3	97,0	101,5	122,3	123,8	85,8

Number of Credit Clients

TOZ clients	5 500	3 703	6 192	3 666	3 711	3 715	3 839	3 752	3 625	3 655	3 246	2 164	1 809	1 353
Total Clients (less DBV)	5 500	3 703	6 376	3 775	3 816	3 790	3 996	4 044	3 950	4 045	4 748	3 808	4 811	4 996

Security Portfolio (CZK billion)

Debt securities	-	-	-	-	3,0	3,1	18,2	18,6	17,4	15,4	15,4	0,3	3,1	1,1
Shares, mutual shares and other interests	-	-	0,1	0,1	5,1	0,1	0,0	0,2	0,2	0,0	0,0	0,0	1,7	1,5
Total Securities	-	-	0,1	0,1	8,1	3,2	18,2	18,8	17,6	15,4	15,4	0,3	4,8	2,6

Participation Interests

Participation interests (gross amount)						10,4	10,6	10,6	14,1	15,4	14,9	11,5	10,8	13,3
Provisions						-	-	-0,1	-5,5	-6,3	-5,0	-5,8	-6,9	-8,4
Participation interests (net amount)	-	-	-	-	-	10,4	10,6	10,5	8,6	9,1	9,9	5,7	3,9	5,0

Capital

Capital (CZK billion)	0,4	0,3	1,4	1,4	22,1	23,3	38,3	33,1	26,9	22,9	37,3	31,0	27,7	24,4
Provisions (CZK billion)	0,9	0,5	1,5	1,5	1,8	5,8	6,1	6,3	6,3	6,3	7,4	13,0	44,0	38,4
Capital adequacy (%)	-	-	2,6	2,6	27,3	26,2	36,5	37,8	30,2	20,8	38,5	26,1	24,3	28,9

Profit/Loss (CZK million)

Profit/Loss before creation of provisions			1 505,0		2 671,0	4 047,0	2 597,9	754,3	111,8	-320,1	-4 746,4	339,1	* (15,909,2)	-36 851,7
of which: CKA													** (3,323,0)	x
Profit/Loss for the accounting period (after deduction of income tax)			2,0		959,8	9,3	2,1	-5 058,6	-10 356,8	-14 389,1	-36 089,2	-12 742,5	* (57,648,9)	-79 433,5
of which: CKA													** (16 122,5)	x

Loan Portfolio (gross) - classification	Czech and Slovak Federal Republic KOB, s.p.ú. (Federal)				Czech Republic KOB Praha, s.p.ú. (Czech)								CKA	CKA
	1991		1992		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Total	of which Czech share	Total	of which Czech share										
Old block, total (CZK billion)	110,4	80,1	107,8	81,2	74,6	67,9	63,8	60,8	59,4	58,0	53,3	48,5	42,0	35,2
of which: classified CZK billion / %								50,8/ 83,6	54,6/ 91,9	54,7/94,3	53,3/100	48,5/100	41,9/99,7	35,2/100,0
loss making CZK billion / %								39,7/ 65,3	44,9/ 75,6	51,8/89,3	52,4/98,3	48,1/99,2	41,7/99,3	35,1/99,6
New and newly assumed loans (CZK billion)	-	-	-	-	2,3	10,3	13,6	18,2	34,7	67,0	107,5	139,2	154,5	170,4
of which: classified CZK billion / %								13,6/ 74,7	14,6/ 42,1	35,5/53,0	72,2/67,2	74,3/53,4	89,9/58,9	133,2/78,2
loss making CZK billion / %								4,3/ 23,6	9,3/ 26,8	14,3/21,3	52,7/49,0	56,0/40,2	73,3/47,4	118,0/69,2
Total Loans (CZK billion)	110,4	80,1	107,8	81,2	76,9	78,2	77,4	79,0	94,1	125,0	160,8	187,7	196,5	205,6
of which: classified CZK billion / %						46,2/ 59,1	48,3/ 62,4	64,4/ 81,5	69,2/ 73,5	90,2/72,2	125,5/78,0	122,8/65,4	131,8/67,1	168,4/81,9
loss making CZK billion / %						39,5 / 50,5	41,3/ 53,4	44,0/ 55,7	54,2/ 57,6	66,1/52,9	105,1/65,4	104,1/55,5	115,0/58,6	153,1/74,5

Bankruptcy

Volume of receivables in bankruptcy (nominal value), CZK million	-	-	-	-	2 138,0	5 305,7	10 437,1	16 951,1	28 385,0	53 362,1	65 098,9	89 234,4	123 385,7
Number of clients in bankruptcy	-	-	-	-	59	108	193	319	511	720	1 019	2 277	2 638
Receivables written off													
Expenses on receivables written off for clients (CZK million)	-	-	-	-	0,1	21,2	206,2	827,6	74,3	1 663,1	1 290,5	* 1,217,3	4 047,9
of which: CKA												** 253,4	x

* KOB + CKA 1 January 2001 - 31 December 2001

** CKA 1 September 2001 - 31 December 2001

Capital (ths CZK)	As at 31 December 2002
1. Shareholders' equity (Tier 1)	108,366,913
2. Additional capital (Tier 2)	1 055 326
3. Deductible items	24,447,862
4. Subordinate debt with maturity at minimum 2 years (Tier 3)	0
5. Shareholders' equity corrected for unrecovered losses	28,933,393

Ratios	
Capital requirement A	6 754 085
Capital requirement B	8 512
1. Capital adequacy ratio (%)	28.92%
2. Return on average assets (ROAA)	-33,86%
3. Return on average shareholder's equity (ROAE)	-117,20%
4. Assets per 1 employee (CZK' 000)	435 313
5. General operating expense per 1 employee (CZK' 000)	1,814
6. Net profit per 1 employee (CZK' 000)	-140 033

BODIES OF ČKA

No member of the Supervisory Board and the Board of Directors given below has been convicted of a criminal offence against property, nor does he hold any share in the Issuer's registered capital. With the exceptions mentioned below these persons do not carry on any business activities and are not employed by other companies, nor are they members of bodies of such other companies.

Board of Directors

Pavel Řežábek - Chairman of the Board of Directors and General Director

Graduated from Prague University of Economics in 1984, 1984 -1991 employed at Potraviny SK, Příbram as Deputy Director for sales, 1991 - 1995 T.IMC s.r.o. Příbram, employed as the statutory representative and the Director of administration, 1995 auditor at Agrobanka Praha, a.s. 1996 BSA, a.s. Prague, adviser and consultant. Since 1996 employed at KOB as the Head of the Internal Audit and Control Department, since 16 May 2001 the Chairman of the Banking Council and the General Manager of KOB, since 1 September 2001 the Chairman of the Board of Directors and the General Director of Česká konsolidační agentura.

Membership of other corporate bodies: PRISKO a.s., the Chairman of the Supervisory Board, Konpo, s.r.o., the Vice Chairman of the Supervisory Board, Česká finanční, s.r.o., the Vice Chairman of the Supervisory Board, PČRB s.r.o. - Moscow, the Chairman of the Supervisory Board , České aerolinie, a.s., Member of the Supervisory Board.

Permanent address: Revoluční 1006/5, Praha 1

Zlata Gröningerová - member of the Board of Directors and Manager Director of the Business Specialists Division

Graduated from Prague University of Economics. Worked in the years 1982 - 1985 at Prague University of Economics as an assistant in the Department of Finance and Credits, specializing in corporate finance, in the years 1990 - 1991 a banking specialist at Investiční a Poštovní banka, a.s. (IPB), in the years 1991 - 1993 at SUEZINVESTIČNÍ, a.s., a subsidiary of IPB and the French Compagnie de Suez as a proxy, in the years 1994 - 1995 at IPB as a banking specialist. Since 1995 at KOB, since 1996 the Head of the Department of Investment Financing. Since 1 January 1998 the Head of the Business Division and since 1 March 1998 a member of the Banking Council of KOB. Since 1 September 2001 a member of the Board of Directors at ČKA and the Head of the Business Specialists Division.

Membership of other corporate bodies: member of the Board of Directors of PRISKO a.s., Chairman of the Supervisory Board of Revitalization Agency, a.s., Chairman of the Supervisory Board of Konpo, s.r.o., Chairman of the Supervisory Board of CKD PRAHA DIZ, a.s., Chairman of the Supervisory Board of SKODA HOLDING a.s., České aerolinie, a.s., Member of the Supervisory Board.

Permanent address: Makovského 1341/12 Praha 6

Jan Liška - member of the Board of Directors and Managing Director of the Restructuring Division (resigned from his position as a member on 28 May 2003, replaced by Radka Kafková – appointed on 29 May 2003)

Graduated from Prague University of Economics in 1984, worked in 1984 at Správa dálkových kabelů Praha as an analyst, 1987 -1991 at Ústav sér a očkovacích látek Praha, as the Head of the Planning and Pricing Department, from 1991 to 1993 employed at Poštovní banka, a.s. as team manager. Since 1993 at KOB as the Department Head and later as a member of the Banking Council and the Deputy General Manager. Since 5 September 2001 a member of the Board of Directors of ČKA and the Head of the Restructuring Division.

Membership of other corporate bodies: Aliachem, a.s. - the Chairman of the Supervisory Board, Konpo, s.r.o. - member of the Supervisory Board, Český Mobil, a.s. - member of the Supervisory Board.

Permanent address: Kolářova 684/19, Praha 4

Libor Svoboda - member of the Board of Directors and Managing Director of the Methodology and Finance Division

Graduated from Prague University of Economics in 1985, where he worked as an assistant, lecturer and Deputy Head of the Department of Statistics until 1994. Since 1994 worked at the Ministry of Education as Department Head, Managing Director and Deputy Minister. From 1997 to 1998 the Deputy Minister of Finance, in the years 1999 - 2001 Economic Director for the project Prague - European City of Culture 2000. Since May 2001 the Head of the Division of Risk Management and Methodology (within KOB). Since 1 September 2001 a member of the Board of Directors of ČKA and the Head of the Methodology and Finance Division.

Membership of other corporate bodies: Vzdělávací centrum pro veřejnou správu ČR, o.p.s. - member of the Board of Directors, Česká finanční, s.r.o. - the Chairman of the Supervisory Board, IPB Real, a.s. - the Chairman of the Supervisory Board.

Permanent address: Malešická 1861/13, Praha 3

Jiří Jurán - member of the Board of Directors and Managing Director of the Division of Administration of Receivables and Assets

Graduated in 1988 from the Department of Economics at the Institute of Mining. Since 1988 worked as a revisor and inspector at the Czechoslovak State Bank. In 1990 a police investigator in Bruntál (white-collar crime), then Deputy General Director for economy at Kovohutě Břidličná, state enterprise, and after its transformation into a joint stock company, the Director of Finance. Since February 1994 at Komerční banka, a.s., a Bruntál branch, as the Head of the Sales Department. In the years 1996 - 1997 the Deputy Director at the Olomouc business centre of KB, a.s., then the Director of the Department of High-Risk Receivables in KB in the Opava office. In 2000 appointed the Executive Director of the Division of High-Risk Receivables of KB. Participated in the establishment of KONPO, s.r.o., where he carried out in this position the transfer of high-risk assets worth CZK 60 billion to Konsolidační banka Praha, s.p.ú. Since June 2000 appointed the Director of the Department of High-Risk Receivables at KB Head Office, in Opava. At KB completed the Comprehensive Training Program for Young Managers. Since 2000 MBA studies at Sheffield Hallam University. At Komerční banka, a.s. participated in the implementation of several projects in co-operation with McKinsey consultants, including the project 'Workout', which he was in charge of. Since 5 September 2001 a member of the Board of Directors of ČKA and the Head of the Division of Administration of Receivables and Assets.

Membership of other corporate bodies: member of the Supervisory Board of NOVÁ HUŤ, a.s.

Permanent address: Hybešova 4, 792 01 Bruntál

Supervisory Board

Vlastimil Tlustý, CSc., Chairman of the Supervisory Board

Graduated from the Agricultural University of Prague in 1979. From 1980 to 1990 he was a research fellow and research worker at the Research Institute of Agricultural Machinery. After one year at the Agricultural University (VŠZ) (1990-1991) he became first Deputy Minister of Agriculture. He held this post until 1992. He was elected to the Chamber of Deputies for the Civic Democratic Party (ODS) in 1992. Until 1996 a member of the Agricultural Committee, from 1996 the Deputy Chairman of the Budget Committee and from 1998 its Chairman. Since 2002 has served again as the Deputy Chairman of the Budget Committee. He also holds the post of the Chairman of the Club of Deputies of the Civic Democratic Party (ODS).

Membership of other corporate bodies: at present he is not a member of any other corporate body.

Permanent address: Pod horou 423, 27 401 Slaný

Josef Hojdar, Vice-Chairman of the Supervisory Board

Employed until 1991 by Severočeské uhelné doly. At that time he also graduated from the Mining Institute in Ostrava (1980). In addition to the running of his own business, he served from 1994 to 1996 as the first Deputy Mayor of the town of Most. He has been a deputy of Chamber of Deputies for the Czech Social Democratic Party (ČSSD) since 1996. Between 1996 and 1998 he was a member of the Budget Committee, since 1998 a member of the Economic Committee of the Chamber of Deputies. Since April 2000 he has been the Chairman of the Economic Committee.

Membership of other corporate bodies: at present he is not a member of any other corporate body.

Permanent address: J. Žižky 1460/5, Most

Michal Doktor

After leaving gymnasium in 1985 he worked for a state farm in Třeboň, then held various economic posts in PZO Pragoinvest Prague , VD Jipro in Lomnice nad Lužnicí and BST in České Budějovice. He has been a deputy of the Chamber of Deputies since 1998. Until 2002 he was a member of the Foreign Committee, currently a member of the Budget Committee and a member of the Permanent Committee of the Chamber of Deputies for Banking.

Membership in other corporate bodies: Chairman of the Board of Directors of the civic association Horizont 3000, Lomnice nad Lužnicí (since 19 December 1999).

Permanent address: Dr. Fr. Kuny 593, Lomnice nad Lužnicí

Vladimír Doležal

After graduating from Prague Technical University in 1988, worked as a designer in ČKD Praha, Lokomotivka plant. Since 1993 a business manager for the company ATTL, s.r.o., and the Deputy Mayor of Dolní Měcholupy (on an external basis) and a secretary of the Municipal Authority in Prague 15. Elected to the Chamber of Deputies of the Czech Parliament for the Civic Democratic Party (ODS) in 1998. A member of the Budget Committee and a member of the Permanent Committee of the Chamber of Deputies for Banking.

Membership of other corporate bodies: at present he is not a member of any other corporate body.

Permanent address: Kutnohorská 162/22, Praha 10

Milan Urban (resigned his post as at 19 March 2003)

Graduated from the Mining Institute in Ostrava in 1982. Worked in various posts in ČKD Kutná Hora, a.s. and ČSAO Čáslav. Ran his own business from 1995 to 1998. A deputy for the Czech Social Democratic Party (ČSSD) since 1998 and a member of the Budget Committee. In 2002 he also held the post of the Chairman of the ČSSD Club of Deputies.

Membership of other corporate bodies: at present he is not a member of any other corporate body.

Permanent address: Chitussiho 941, Čáslav

Miloslav Viček

Graduated from the Agricultural University in Brno in 1989. Worked until 1991 in various economic posts for a farmer's co-operative in Ludmírov. Since 1991 a tax inspector at the Tax Office in Konice. Elected deputy for the Czech Social Democratic Party (ČSSD) in 1996. Initially, a member of the Committee for the Public Administration and the Environment, since 1998 a member of the Budget Committee.

Membership of other corporate bodies: the Chairman of the Board of Directors of REGIO INVEST o.p.s., Orebitská 616/9, Prague 3 (since 3 May 2001).

Permanent address: Jiráskova 33, Konice, region Prostějov

Libor Ježek (removed from the post of member of the Supervisory Board on 9 October 2002)

Graduated from the Technical University in Prague in 1985. Employed from 1986 to 1991 by ZSE Elektro-Praga Jablonec. From 1991 to 1993 the Head of the Tax Office in Tanvald and afterwards until 1995 the Economic Director at Jablotron Jablonec. He worked as an auditor and tax adviser. He was elected deputy of the Chamber of Deputies in 1998. A member of the Budget Committee, in the third term of office he was the Chairman of the Control Subcommittee.

Membership of other corporate bodies: at present he is not a member of any other corporate body.

Permanent address: U lesíka 615, Tanvald

Alfréd Michalík (appointed by the Chamber of Deputies on 22 October 2002)

Graduated from the Mining Institute, Faculty of Metallurgy in Ostrava, Department of Economics and Management of Metallurgy, in 1967. In the years 1991 - 1992 completed a management course organized by the company STELCO in Hamilton, Canada.

Worked until 1990 at Železářny and drátovny Bohumín in various economic posts. In the years 1990 - 1992 the Deputy Economic Director and in the years 1993 - 1994 adviser to the Director of Železářny and drátovny Bohumín. From 1994 to 1997 the Economic Director at KOVONA Karviná, a.s. In 1996 elected to the Senate and after his senator's term of office expired in 2002 elected to the Chamber of Deputies of the Czech Parliament. In the Senate held the post of the Vice-Chairman of the Committee for Economy, Agriculture and Transport. In the Chamber of Deputies he is a member of the Committee for Social Policy and Health. Between 2000 and 2002 he was an adviser to the National Property Fund.

Membership of other corporate bodies: Chairman of the Supervisory Board of the company Bohumínský městský servis, a.s., whose sole shareholder is the Municipality of Bohumín.

Permanent address: Mírova 1013, 735 81 Bohumín

Pavel Pešek (appointed by the Chamber of Deputies on 22 October 2002)

Graduated from the Agricultural University in 1989. Employed as an agronomist by a farmer's co-operative in Brloh from 1989 to 1992.

In 1992 elected deputy of the Czech National Council. From 1993 to 2002 a deputy of the Chamber of Deputies of the Czech Parliament. He was a member of the Agricultural Committee and from 3 July 1996 to 19 June 1998, its Vice-Chairman.

Membership of other corporate bodies: since 2 April 1997 to date a member of the Supervisory Board, the Land Fund of the Czech Republic.

Permanent address: Kostelní 165, 381 01 Český Krumlov

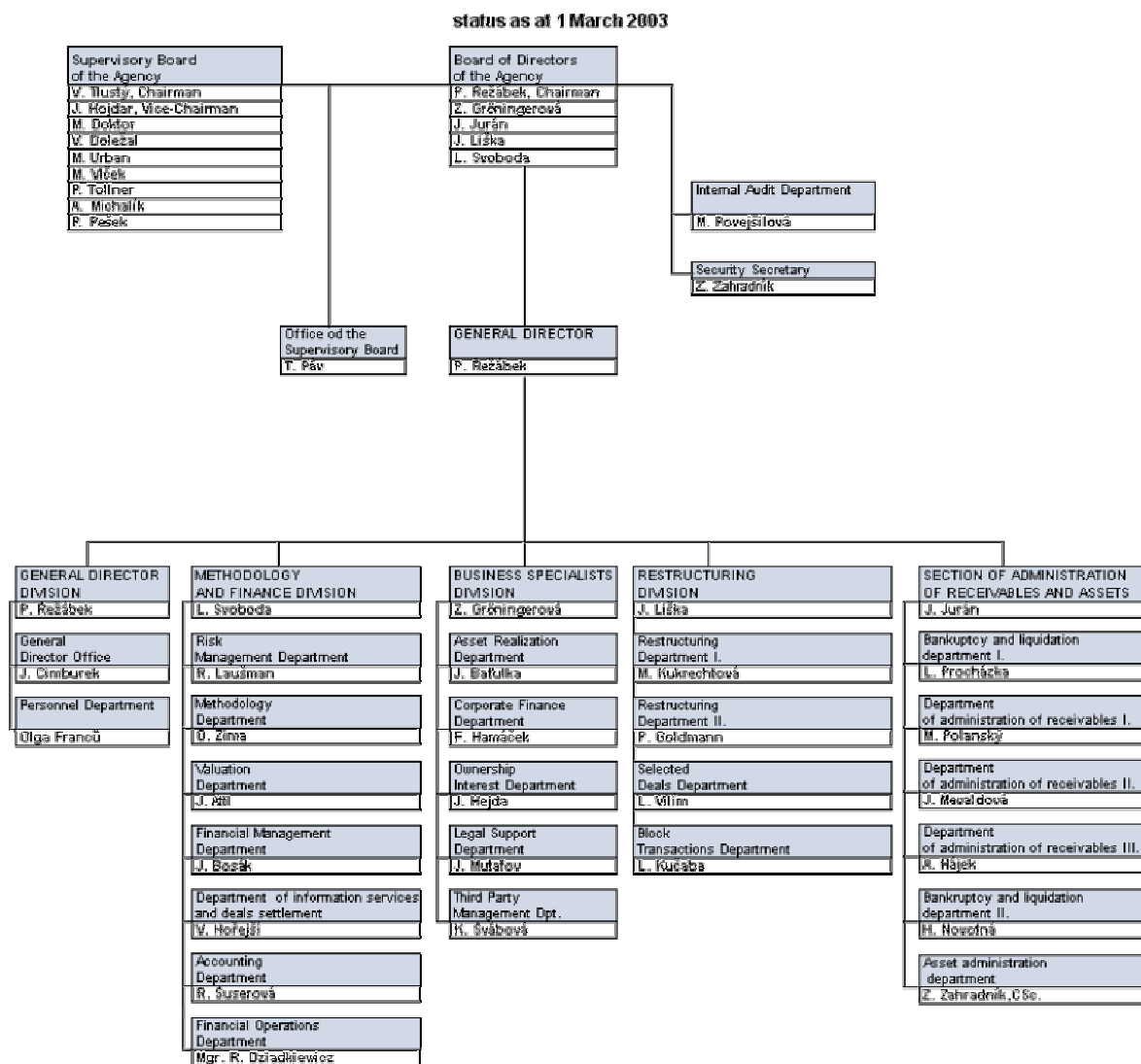
Pavel Tollner

Graduated from the Technical University in Brno, the Faculty of Civil Engineering and Charles University in Prague from the Faculty of Theology. From 1974-1980, he worked as a designer in Investprojekt - Brnoprojekt Brno and in the years 1980-1982, as an investment officer in Podnik výpočetní techniky Brno. From 1982-1990, he worked as a production planner, manager for foreign construction projects and a head officer of the foreign trade department of Průmyslové stavby Brno. Since June 1990 through October 2001, he was a deputy of the Czech National Council (ČNR) and afterwards, of the Chamber of Deputies of the Czech Parliament (PS PČR). He acted as a member of Legal and Security Committee of ČNR and a member of Foreign and Petition Committee of PS PČR. In the years 1992-1995, he acted as a vice-chairman of the Czech National Council and afterwards, of the Chamber of Deputies of the Czech Parliament. Through June 2002, he worked as a senator's assistant and until April 2003, as a deputy's assistant. Currently, he acts as a consultant of the Parliamentary Club. Effective 31 October 2001, he is a member of the Supervisory Board of Česká konsolidační agentura (ČKA).

Membership of other corporate bodies: Supervisory Boards of ČKA's subsidiaries: Česká finanční, s.r.o. and Konpo, s.r.o.

Permanent address: Pellicova 473/53A, 602 00 Brno

ORGANIZATIONAL CHART OF ČESKÁ KONSOLIDAČNÍ AGENTURA AS AT 1 MARCH 2003



PHOTO



BASIC DATA ABOUT THE COMPANY

Trade name:	Česká konsolidační agentura
Registered office:	Janovského 438/2, 170 06 Praha 7
Identification number:	70109966
Date of incorporation:	1 September 2001
Commercial Court:	Municipal Court in Prague, Section A, Inset 45993
Legal form:	organization established by a special law
State guarantee:	Liabilities of ČKA are guaranteed by the Czech Republic as defined in Section 1 Paragraph 3 of the Act No. 239/2001 Coll., on Česká konsolidační agentura and on changes of certain laws (hereinafter referred to as "the Act on ČKA")

Characteristics of ČKA management

The basic management and statutory body of ČKA is the five-member Board of Directors headed by the Chairman of the Board, who is also the General Director of ČKA. The Supervisory Board of ČKA, appointed by the Chamber of Deputies, has primarily supervisory powers. It approves draft Articles of Association and the financial statements, financial and asset operations exceeding CZK 500 million, setting up of business companies, etc. It supervises particular areas of ČKA's activities and the exercise of ČKA's ownership rights in legal entities in which ČKA holds an ownership interest. It proposes to the Ministry of Finance or to the Board of Directors personnel, organizational or other measures.

ČKA is, in terms of its organizational structure, subdivided into five Divisions managed by the General Director and 4 Managing Directors. These Managing Directors are at the same time members of the Board of Directors. For competent decision making on important issues relating especially to financial or other significant operations of ČKA, advisory collective bodies have been established, namely commissions and work groups which, however, have no decision making powers. The Divisions are further subdivided to Departments.

Development and legal status of ČKA

In 2001, KOB was subject to a unique transformation from a banking institution to a non-banking entity – ČKA. A new Act, No. 239/2001 Coll. on ČKA, was enacted, which secures the legal continuity of the state-owned financial institution KOB and ČKA, including the legal and procedural succession and the devolution of all rights and liabilities. Under the new Act, ČKA is a legal entity, which is entitled to manage the assets of the state and also the assets it becomes entitled to manage when securing a stipulated activity, or in relation with such an activity. ČKA shall be entered in the Commercial Register, and such an entry shall have a declaratory nature, while the state will become a legal successor to ČKA and will assume its rights and liabilities. ČKA shall cease to exist, in compliance with the Act on 31 December 2011, without liquidation. The Banking Act does not apply to ČKA, which does not have a banking licence; however, there are several exceptions.

The position of ČKA as a financial institution was declared by a measure of the ČNB, which at the same time assigned to ČKA a zero risk weight (under the law, ČKA's liabilities are guaranteed by the state). After its establishment, ČKA and ČNB entered into an agreement governing the access of ČKA to the clearing house.

As part of changes stipulated in the Act on ČKA, some banking activities that are no longer performed by ČKA were suspended by KOB and subsequently, also by ČKA. These were, above all, the termination of credit activities, as ČKA is not a bank under the Act No. 239/2001 Coll. and it is not authorized to provide new loans or receive deposits from clients, with the exception set forth in Section 3 Para 1, letter e) of the Act on ČKA. Documentary payments were also transferred.

ČKA is a securities broker and it is entitled to issue bonds. It is also entitled, subject to prior approval by the Government, to acquire ownership interests in companies or establish such companies. The revenues and expenses administered by ČKA do not form part of the state budget.

The Ministry of Finance shall, following the approval by the Supervisory Board, approve the Articles of Association and the financial statements of ČKA, assign tasks to ČKA, decide on the manner of redemption of losses etc. ČKA shall be obliged to provide, if requested to do so, information relating to the activities of ČKA to the Minister of Finance, through him to the Government and, possibly, to other Governmental bodies.

ČKA shall continue to administer and recover receivables using any means KOB was entitled to use. In compliance with the Act, ČKA became entitled to administer all the assets of the state that KOB was entitled to administer as at the specified date; all the rights and liabilities of KOB were transferred to ČKA. ČKA is obliged to complete all the activities and transactions it took over from KOB. While doing this, it shall be entitled to use all the rights, possibilities and tools KOB had at its disposal for this purpose. The main goal of the governmental programs implemented through ČKA remains to be the search for a strategic investor for the companies selected by the Czech Government and to prepare the company for the entry of such an investor while actively using all the means available.

The transformation of KOB to ČKA was carried out in accordance with the statutory standards and requirements of the institution as such, but also with requirements of external entities. The change in the legal form was reflected in the organization, scope of provided services and relations with the institution's environment without any adverse impacts on the effectiveness of the administration of the state-owned assets. The continuity of all important processes, which secure fulfillment of targets in the area of reduction of loss-making assets or otherwise imperiled assets, was guaranteed. After its foundation ČKA became a respected partner on the financial market.

ČKA's business activities

- purchase, sale and administration of receivables and other selected assets,
- restructuring of business companies and other legal entities determined by the decision of the Government,
- purchase, sale and custody of securities,
- custody of pledges over movable assets,
- keeping of accounts for legal entities and private individuals having liabilities to Česká konsolidační agentura, up to the aggregate amount of their liabilities,
- financial and business advisory services,
- raising of funds on the financial market,
- other activities as required by the Ministry of Finance relating to performance of activities listed above,
 - system of payments, clearing and activities relating to foreign exchange transactions,
 - asset valuation,
 - organization of educational and training events,
 - lease of real property and non-residential premises, including the provision of basic services relating to such activity,
 - operation of training facilities, concurrently to the following activities:
 - purchase of goods for resale, and sale (except for the goods as per the Appendix of Act No. 455/1991 Coll., as amended, and goods excluded by the same Act),
 - hospitality,
 - accommodation services,
 - trading in derivatives (with effect from 14 January 2003).

INFORMATION ON THE ČKA GROUP COMPANIES

Konpo, s.r.o.

Registered office: Na Příkopě, indication number 390, street number 3, Praha 1, Postal Code 111 21

Structure of partners: the sole partner is ČKA

Acquisition of ownership interest: in March 2000 by the purchase of 100% of the business share from Komerční banka, a.s.

Statutory representatives

Pavel Obruča - General Manager

Vladimír Franc - 1st Deputy General Manager

Zdeněk Čáp, Ph.D. - Deputy General Manager

In connection with the purchase of low quality receivables worth CZK 60 billion from Komerční banka, a.s. in 2000 the main activities of the company Konpo, s.r.o. consist in their administration, i.e. the activities relating to the restructuring of the debtors' receivables, performing of financial analyses of the receivables that have been assumed, valuation of receivables and the real estate and administrative recovery of the receivables until their full repayment, assignment or resolution by court proceedings. Realization of assets (sale of receivables) is an important independent activity. In 2002 a segmentation of the credit portfolio was carried out and organizational changes were made relating to the change in the receivables portfolio. In addition to the individual sales of receivables, the assignment of receivables in the form of three blocks was performed. In the aggregate, the balance of receivables from clients dropped by CZK 4.12 billion, at net value by CZK 5.98 billion. The collection of Konpo, s.r.o. for the year 2002 amounted to CZK 2.11 billion.

Česká finanční, s.r.o.

Registered office: Hybernská 1006/18, Praha 1, Postal Code: 111 21

Structure of partners: the sole partner is ČKA

Acquisition of ownership interest: in June 2000 by the purchase of 100% business share from Czech National Bank.

Statutory representatives

Vladimír Franc - General Manager

Pavel Obruča - 1st Deputy General Manager

Jiří Pivrnec - Deputy General Manager

The main business activity of Česká finanční, s.r.o. is the administration of assets, i.e. loan receivables, securities and ownership interests taken over by the company as part of two programs. This was a program of enhancement of the stability of the banking sector of the Czech Republic, as approved by Czech Government Resolution No. 539 of 16 October 1996 (the so-called stabilization program) and the bank consolidation program as declared by Česká národní banka, namely in connection with mergers of smaller banks (the so-called consolidation program). Within both programs Česká finanční, s.r.o. focuses especially on the following issues: administration of the receivables portfolio, judicial recoveries of receivables, sale of receivables, co-operation with external companies in the contractual administration of receivables, administration and realization of collaterals and administration and sale of securities.

As at 31 December 2002 the company's total assets and liabilities dropped in the year-on-year terms by CZK 28.93 billion, while the most significant portion of this decrease was due to the assignment of three major receivables from Agrobanka Praha, in the aggregate amount of CZK 19.87 billion. In 2002, the further sale of

two blocks of mostly low quality receivables was realized. A rapid decrease of the total assets and liabilities was reflected on the liabilities side especially by the reduction of bank credits by CZK 16.70 billion (year-on-year decrease by 63.7%). A significant portion of both principals of loans provided to ČKA for the acquisition of assets within the stabilization program (CZK 8.2 billion) was repaid; similarly, the principals of loans provided by ČNB (The Czech National Bank) for the acquisition of assets within the consolidation program (CZK 8.5 billion) were repaid.

In 2002 the sole partner, as part of the exercise of powers of the General Meeting, decided on the reduction of the Company's registered capital to CZK 200,000, namely by CZK 13.8 billion, while the reserve fund was established in this amount, which is tied exclusively to the coverage of losses from the realization of assets within the consolidation program.

Based on the Czech Government Resolutions No. 217/2002 and No. 365/2002 the building of Česká finanční at Hybernská Street in Prague 1 was sold.

Revitalizační agentura, a.s. in liquidation (Revitalization Agency)

Registered office: Hybernská 18a, Praha 1, Postal Code: 110 00

Shareholder structure: the sole shareholder is ČKA

Acquisition of the ownership interest: in May 1999 after the foundation by Konsolidační banka Praha, s.p.ú. as the sole founder

Board of Directors

Bohuslav Kratěna (ČKA) - Chairman from 17 August 2001 to 30 September 2002

Pavel Trenda (ČKA) - Vice-chairman from 17 August 2001 to 30 September 2002

Lenka Danielisová (ČKA) - member from 17 August 2001 to 30 September 2002

Since 1 October 2002 **Pavel Trenda** is a liquidator and member of the Board of Directors of Revitalizační agentura, a.s. in liquidation.

In the course of 2002 Revitalizační agentura, a.s. was completing the transaction consisting of the purchase of receivables from creditors of the company Vítkovice, a.s. Based on the decision of ČKA as the sole shareholder, as part of the exercise of powers of the General Meeting, the company, with effect from 1 October 2002, went into liquidation and afterwards all the operations required to this effect were performed on a continuous basis. The completion of the liquidation is anticipated in the course of the year 2003.

PRISKO a.s.

Registered office: Janovského 438/2, Praha 7

Shareholder structure: ČKA is the owner of 100% of the shares

Acquisition of ownership interest: in April 1996 by the purchase of the shares from the National Property Fund of the Czech Republic

Board of Directors

Olga Mihalčíková - Chairman

Blanka Knyblová - Vice-chairman

Zlata Gröningerová (ČKA) - member

The crucial focus of activities of the company PRISKO a.s. is to ensure the fulfillment of the Transaction documents, entered into between the Government of the Czech Republic and the company VOLKSWAGEN AG, of 16 April 1991 and the Supplement to the Transaction Documents of 19 December 1994. In 2002 the solution of ownership relations especially continued (third party rights and rights of restitution beneficiaries) with respect to the real property that has been invested by the Czech party into the privatized company.

SANAKON, s.r.o. in liquidation

Registered office: Janovského 438/2, Praha 7, Postal Code: 170 06

Acquisition of ownership interest: in February 2000 after its foundation by Konsolidační banka Praha, s.p.ú. as the sole founder

Structure of partners: 49% owned by ČKA, 51% owned by Česká inkasní, s.r.o. - until 8 August 2002, since 8 August 2002 ČKA owns 100%

Statutory representative

Vlastimil Horkel from 1 April 2001 to 19 August 2002

Since 20 August 2002 **Vlastimil Horkel** is a liquidator of the company SANAKON, s.r.o. in liquidation.

The company was originally founded in connection with the solution of doubtful assets of Komerční banka, a.s. As the solution via Konpo, s.r.o. was subsequently opted for, this company was further being prepared for its use in the restructuring of industrial companies. After the transformation of Konsolidační banka Praha, s.p.ú to Česká konsolidační agentura its further existence was no longer useful. Consequently, it has been decided that the company wind up with liquidation.

CHRONOLOGICAL ORDER OF EVENTS IN 2002

January

ČKA purchased from the City of Pilsen the shares of the company Západočeská energetika, a.s. representing a share of 1.98% in a company's registered capital. The purchase contract was entered into in accordance with the Czech Government Resolution No. 940/2001.

April

The sale of ČKA's ownership interest in the company Českomoravská záruční a rozvojová banka, a.s. representing a 12.66% share in the registered capital to the Ministry of Industry and Trade of the Czech Republic, the Ministry of Finance of the Czech Republic and the Ministry for Regional Development of the Czech Republic, based on the Czech Government Resolution No. 1164/2001.

On 3 April 2002, based on a petition filed by the company ODIEN RESTRUCTURING SERVICES s.r.o., arbitration proceedings were commenced with the London Court of International Arbitration (hereinafter referred to as LCIA) against Česká konsolidační agentura.

May

In accordance with the Contract on the restructuring plan entered into among ČSOB (Československá obchodní banka), ČKA and the Ministry of Finance of the Czech Republic, inter alia, the following assets have been transferred to ČKA

- securities (notes) Black Diamond at the aggregate nominal value of USD 10 million,
- shares of the company IPB Real, a.s. at the aggregate nominal value of CZK 1 billion, representing a 100% share in the company's registered capital,
- shares of the company PVT, a.s. at the aggregate nominal value of CZK 290 million, representing a 37.01% share in the company's registered capital,
- shares of the company ŽĎAS, a.s. in the aggregate nominal value of CZK 46.47 million, representing a 3.33% share in the company's registered capital.

June

On 10 June 2002 five-year bonds were issued, at the aggregate value of CZK 5 billion, with a fixed interest rate of 5.05% p.a. , with the annual payment of coupons.

On 20 June 2002 the composition was fulfilled when the company VÍTKOVICE, a.s. handed over to individual unsecured creditors promissory notes endorsed by ČKA in the amount of 30% of their unsecured receivables.

On 28 June 2002 three-year bonds were issued, at the aggregate value of CZK 10 billion, with the floating interest rate derived from the 6M PRIBOR fixing, with a margin of 0.09% p.a. The coupon is repaid on a half-yearly basis.

Based on the Contract on restructuring and guarantees relating to the assumption of credit risks arising from low quality assets of the financial group of Česká spořitelna a.s., entered into on 1 March 2000 among KOB, ČS and Corfina, a.s., Česká spořitelna, a.s. exercised with respect to ČKA as at 30 June 2002 the „total“ put option, based on which ČKA transferred in the course of July - September 2002 into its portfolio 649 low

quality receivables at the nominal value of CZK 6,570.9 million, while the cost of their assignment amounted to CZK 4,110.4 million.

July

In connection with the Contract on the restructuring plan entered into among ČSOB, ČKA and the Ministry of Finance of the Czech Republic, inter alia, the following assets have been transferred to ČKA:

- shares of the company SPOLANA a.s., at the aggregate nominal value of CZK 488 million, representing a 9.76% share in the company's registered capital.
- bills of exchange of Likérka Dolany, a.s., at the aggregate value of CZK 208 million.
- shares of the company Český Mobil a.s., at the aggregate nominal value of CZK 469 million, representing a 4.38% share in the company registered capital.

From Česká spořitelna, a.s. the bonds of Třinecké železářny, a.s. TŽ 10,65/09, were transferred, in accordance with the Contract on restructuring and guarantees, at the aggregate nominal value of CZK 1 billion.

The remaining portion of ČKA's ownership interest in the company WALTER a.s. was sold (a 38.38% share in the registered capital) to the company TARK, s.r.o., after the sale of the ownership interest accounting for 7.52% which was already realized in February 2002.

On 9 July 2002 ČKA announced a public tender for the sale of the block of 938 receivables from 480 debtors, at the aggregate value of CZK 37.8 billion.

August

The shares of the company Zetor, a.s., at the aggregate nominal value of CZK 4,053,000 (a 97.93% share in the company's registered capital) and all receivables of ČKA from Zetor, a.s. were transferred to the company HTC holding a.s.

In connection with the Contract on the restructuring plan entered into among ČSOB, ČKA and the Ministry of Finance of the Czech Republic, ČKA acquired its share in První česko-ruská banka, s.r.o. accounting for a 97.32% share in the company's registered capital.

September

Arbitration proceedings with the London Court of International Arbitration against Česká konsolidační agentura were concluded by the award of the LCIA tribunal No. 2363 of 2 September 2002 confirming the settlement between the parties, i.e. ČKA and Odien.

On 26 September 2002 ČKA announced the winner of the tender for the block of receivables - the company EC Group, a.s.

The shares of the company ŽĎAS, a.s., at the nominal value of CZK 46.47 million (a 3.33% share in the registered capital) were sold to the company Železiarne Podbrezová, a.s.

October

The acquisition of the ownership interest in the company ŠKODA TS a.s. accounting for a 63.44% share in the company's registered capital, based on the Czech Government Resolution No. 306/2002. The shares of ŠKODA TS a.s. were part of the package of assets sold to the company Appian-Machinery AG.

The ownership interest in the company KORAMO, a.s., accounting for a 49.90% share in the company's registered capital, acquired by the set-off of a receivable in September 2002, was sold, based on the Czech Government Resolution No. 791/2001, to the company UNIPETROL, a.s.

ČKA acquired the ownership interest in the company KRÁLOVOPOLSKÁ, a.s., accounting for a 21.85% share in the company's registered capital, namely by capitalization of receivables from this company. The transaction was carried out based on the Czech Government Resolution No. 1079/2000.

It has been decided of the company Revitalizační agentura, a.s. the wind up with liquidation, namely based on the Czech Government Resolution No. 614/2002, in connection with the Czech Government Resolution No. 1200/2000.

November

Based on the Czech Government Resolution No. 592/2001, ČKA acquired ownership interest in the company ČKD PRAHA HOLDING a.s., accounting for a 47.47% share in the company's registered capital, namely by capitalization of receivables from this company in the composition proceedings.

December

Bonds of the issuer Union Leasing, a.s. were sold at the aggregate nominal value of CZK 180 million and bonds of the issuer Slovenské elektrárne ČR s.r.o. at the aggregate nominal value of CZK 200 million.

On 9 December 2002 the Czech Government Resolution No. 1253 was adopted for the proposal of the sale of all assets of ČKA in the ŠKODA HOLDING group to a strategic investor. On 20 December 2002 the relevant purchase contracts for the sale of these assets were signed with the company Appian-Machinery AG. The sale was completed on 7 February 2003 after the approval of the Anti-Monopoly Office and after the payment of the purchase price.

ČKA acquired the shares of the company Burza cenných papírů Praha, a.s. from the National Property Fund of the Czech Republic at the aggregate nominal value of CZK 4.5 million, which represents a 1.17% share in the registered capital and became a member of the Prague Stock Exchange.

A tender was announced for the sale of 100% of the shares of the company IPB Real a.s.

On 18 December 2002 the Anti-Monopoly Office issued a resolution granting an exemption from the ban on public support for the benefit of the company NOVÁ HUŤ, a.s. in the form of, inter alia, the provision of an operating loan of CZK 750 million by Konsolidační banka Praha, s.p.ú, the assignment of credit receivables of ČKA from the company NOVÁ HUŤ, a.s. to the company LNM Holdings N.V. for USD 10.86 million and the payment of the liability of the company NOVÁ HUŤ, a.s. arising from issued bonds amounting to CZK 1,254 million.

ACTIVITY INDICATORS

Patents, licences

ČKA has neither acquired nor owns any patents or licences that would be of material importance for its business. ČKA has at present registered combined trademarks KOB, ČKA and RA, which are protected by industrial and legal regulations.

Information on litigations, administrative or arbitration proceedings

In the years 1999, 2000, 2001 and 2002 KOB (ČKA) was not actively or passively involved, in any litigations that would have any material impact on the financial position or the business of KOB (ČKA) or that could influence its ability to meet its obligations ensuing from the Bonds, with the exceptions specified in the following paragraph.

Arbitration proceedings with the London Court of International Arbitration (hereinafter referred to as LCIA) against Česká konsolidační agentura, which were commenced on 3 April 2002 based on a petition filed by the company ODIEŇ RESTRUCTURING SERVICES, s.r.o. (hereinafter referred to as Odien) were concluded by the award of the LCIA tribunal No. 2363 of 2 September 2002 confirming the settlement between the parties, which was based on the Settlement Agreement as entered into between the ČKA and Odien on 22 August 2002.

Extraordinary events and financial and commercial contracts

At present, ČKA has been dealing with a large number of business cases on the basis of which a considerable amount of contracts is being entered into. Due to the fact that in most cases ČKA acts on the basis of a resolution of the Czech Government, the above contracts can be most probably considered to be material from the viewpoint of the Securities Act. As it would be technically very difficult and demanding to publish and update a database of all contracts specified in such a manner and entered into by ČKA, we only quote here four contracts concluded in the years 2000 through 2002, which are in our opinion the most important ones:

Contract on guarantee entered into between KOB and Komerční banka, a.s.

The Contract on guarantee has been entered into in connection with the privatization process of Komerční banka, a.s., on 29 December 2000 between Konsolidační banka Praha, s.p.ú., and Komerční banka, a.s., on the basis of Point 2), Art III of the Czech Government Resolution No. 1334 of 18 December 2000. On the basis of the Contract on guarantee, Konsolidační banka Praha, s.p.ú., undertakes to provide a guarantee in respect to the risk assets of Komerční banka, a.s.; this guarantee relates only to the assets classified as substandard, doubtful or loss in compliance with the methodology of the Czech National Bank.

Contract on restructuring and guarantees, entered into among the companies Česká spořitelna, a.s., Corfina, a.s., and Konsolidační banka Praha, s.p.ú.

The Contract was entered into on 1 March 2000 in connection with the privatization of Česká spořitelna, a.s. On the basis of this Contract, ČKA is obliged to purchase pre-selected assets from Česká spořitelna, a.s. ČKA at the same time guarantees the selected asset items of Česká spořitelna, a.s. and its subsidiaries Leasing České spořitelny a.s. (the former CORFINA, a.s.), CORFINA TRADE, s.r.o. and CF Danube Leasing, s.r.o.

Contract and the state guarantee entered into between the Czech Republic represented by the Ministry of Finance of the Czech Republic and Československá obchodní banka, a.s.

The Contract and the state guarantee were agreed on 19 June 2000 (full version of 27 July 2000). Konsolidační banka Praha, s.p.ú. administers the rights and obligations arising from this Contract and from the state guarantee on behalf of the Ministry of Finance on the basis of the authorization by the Minister of Finance.

On 31 August 2001, the Contract on the restructuring plan was entered into between ČSOB, Konsolidační banka Praha, s.p.ú., and the Czech Republic represented by the Ministry of Finance. The Contract governs the rights and obligations of the parties in connection with the transfer of assets of IPB from ČSOB.

Main financial investments

Since 1997, KOB invested mainly on the basis of the relevant Government Resolutions in ownership interests or bonds. In compliance with Government Resolutions, KOB also invested in the interests in the companies of the KOB financial group in connection with the transfer of receivables from commercial banks and their recovery and it also established the specialized Revitalizační agentura, a.s. Under the Act No. 239/2001 Coll. on ČKA, the Agency is entitled to establish a business company or participate in its establishment, contribute to the business company state-owned assets, which it is authorized to administer, transfer securities and dispose of ownership interests in business companies other than the joint-stock ones only after prior consent of the Government. In the course of 2002 ownership interests were transferred to ČKA primarily in connection with the transaction ČSOB/IPB.

In the years 1997 - 2002, the following main operations were realized in connection with investments in ownership interests and bonds

Year 1997

- In September, shares of the company České aerolinie, a.s., were purchased at the nominal value of CZK 446.3 million, which represented a 16.32% share in the company's registered capital.
- In October 1997, KOB acquired a 28.98% share in the registered capital of the company AERO Vodochody, a.s., on the basis of the subscription of shares at the nominal value of CZK 780 million.
- In October, KOB also acquired shares of the company Zetor, a.s., at the nominal value of CZK 3.686 million, which represented an 89.05% share in the company's registered capital.

Year 1998

- In August, the share of KOB in the company LET, a.s. at the nominal value of CZK 349 million, was sold to the U.S. aircraft manufacturer AYRES, which represented a 22.36% share in the company's registered capital. In connection with the financial restructuring of this company, KOB acquired, on the basis of subscription, 339,000 pcs of shares of the above company in October 1998, at a nominal value of CZK 1,000 per share, i.e. at the aggregate nominal value of CZK 339 million, which were sold in December of the same year to the same strategic investor. These shares represented a 17.84% share in the company's registered capital.
- During the year, a 34% share of KOB in the registered capital of the company Zetor, a.s. was gradually sold to the company Motokov International, a.s., namely a share at the nominal value of CZK 1,407.3 million.

Year 1999

- In January, another tranche of the shares of the company Zetor, a.s. was sold to Motokov International, a.s. at the nominal value of CZK 568.8 million, which represented a 13.74% share in the company's registered capital.
- In May, KOB established the company Revitalizační agentura, a.s. and KOB's contribution, representing a 100% share in the company's registered capital, amounted to CZK 100 million.
- In August 1999, KOB acquired a 49.90% share in the registered capital of the company ČKD DOPRAVNÍ SYSTÉMY, a.s., at the aggregate nominal value of CZK 462.1 million.
- In September, KOB purchased the shares of the company TATRA, a.s., at the aggregate nominal value of CZK 480.4 million, which represented a share in the registered capital accounting for 43.50% (subsequent to the reduction of the registered capital and capitalization in 2000, this share accounted for 9.28%)
- In November, bonds at the aggregate nominal value of CZK 209 million were transferred to KOB as part of the process of the stabilization of the asset portfolio of Česká spořitelna, a.s.
- In December, a 1.47% share in the registered capital of the company České aerolinie, a.s. was purchased

Year 2000

- In February, KOB established a subsidiary SANAKON, s.r.o., with the registered capital amounting to CZK 100,000.
- In March, a 100% share in the registered capital of the company Konpo, s.r.o. was purchased at the nominal value of CZK 100,000.
- In May, shares of the company ŠKODA AUTO, a.s., were sold at the nominal value of CZK 5,012.7 million, representing a 30% share in the registered capital of the company.
- In June, the company Česká finanční, s.r.o. was purchased, and the contribution of KOB, amounting to CZK 13,833.5 million, represented a 100% share in the registered capital of the above company.
- In June, KOB also acquired the shares of the company ŠKODA HOLDING, a.s., at the aggregate nominal value of CZK 1,050 million, representing a 48.36% share in the company's registered capital.
- In October and December, the shares of the company TATRA, a.s., at the nominal value of CZK 250 per share were purchased in the volume of 761,723 pcs and 7,663,265 pcs, respectively. The aggregate nominal value therefore amounted to CZK 2,106.2 million, which represented a 40.71% share in the company's registered capital.
- In November, KOB acquired a share in the company KORADO, a.s., accounting for 34.2%, based on the capitalization of receivables.
- In December, shares of the company SPOLANA, a.s. at the aggregate nominal value of CZK 936.7 million were transferred to KOB, which represented a 49.78% share in the company's registered capital.
- In December, KOB sold its business share in the company SANAKON, s.r.o., accounting for 51%.

Year 2001

- ČKA sold the shares of the company TATRA, a.s., at the nominal value of CZK 4.7 billion (a 91.62% share in the registered capital) to a strategic investor – the companies SDC INTERNATIONAL, INC. and SDC Prague, s.r.o. This sale was preceded by the transfer of shares of TATRA, a.s., at the nominal value of CZK 2.2 billion, from the company KRAS, a.s., (a subsidiary of the National Property Fund of the Czech Republic) to ČKA.
- The shares of the company SPOLANA a.s., at the nominal value of CZK 2.4 billion (a 47.55% share in the registered capital) were sold to the company UNIPETROL, a.s. As part of the performed financial restructuring, this sale was preceded in 2001 by the acquisition of the ownership interest of CZK 1.4 billion by an increase of the registered capital, based on the capitalization of receivables.
- KOB acquired the share in the company WALTER, a.s., amounting to CZK 1.5 billion (a 45.91% share in the registered capital).
- The registered capital of the company Revitalizační agentura, a.s. was increased by CZK 170 million.
- KOB purchased the shares of the company Zetor, a.s. at the nominal value of CZK 2 million (a 47.74% share in the registered capital) from the company Revitalizační traktor s.r.o., as part of the operations relating to the prepared entry of the strategic investor in the company.

Year 2002

- ČKA purchased the shares of the company Západočeská energetika, a.s. at the nominal value of CZK 31.8 million, representing a 1.98% share in the company's registered capital.
- In accordance with the Contract on the restructuring plan entered into among ČSOB, ČKA and the Ministry of Finance of the Czech Republic, inter alia, the following securities and ownership interests were transferred from ČSOB to ČKA :
 - securities (notes) Black Diamond at the aggregate nominal value of USD 10 million.
 - the shares of the company IPB Real, a.s. at the aggregate nominal value of CZK 1 billion, representing a 100% share in the company's registered capital.
 - the shares of the company ABA, a.s. at the aggregate nominal value of CZK 2 million, representing a 1.67% share in the company's registered capital.
 - the shares of the company ŽĎAS, a.s. at the aggregate nominal value of CZK 46.47 million, representing a 3.33% share in the company's registered capital.
 - the shares of the company PVT, a.s. at the aggregate nominal value of CZK 290 million, representing a 37.01% share in the company's registered capital.
 - the shares of the company SPOLANA a.s. at the aggregate nominal value of CZK 488 million, representing a 9.76% share in the company's registered capital.
 - the bills-of-exchange of the company Likérka Dolany, a.s. at the aggregate value of CZK 208 million.
 - the shares of the company Český Mobil a.s. at the aggregate nominal value of CZK 469 million, representing a 4.38% share in the company's registered capital.
 - the share in První česko – ruská banka, s.r.o. at the value of RUB 172.1 million, representing a 97.32% share in the company's registered capital.
- In accordance with the Contract on restructuring and guarantees from Česká spořitelna, a.s. the bonds of Třinecké železárny, a.s. TŽ 10,65/09 at the aggregate nominal value of CZK 1 billion were transferred to ČKA.
- By capitalization of receivables from the company ŠKODA TS a.s., ČKA acquired the ownership interest in this company at the nominal value of CZK 118 million (a 63.44% share in the registered capital).
- By capitalization of receivables from the company KRÁLOVOPOLSKÁ, a.s. ČKA acquired the ownership interest in this company at the nominal value of CZK 208 million (a 21.85% share in the registered capital).
- By capitalization of receivables from the company ČKD PRAHA HOLDING a.s., ČKA acquired the ownership interest in this company at the nominal value of CZK 3,867 million (a 47.47% share in the registered capital).
- ČKA acquired the ownership interest in the company KORAMO, a.s. at the nominal value of CZK 410 million (a 49.90% share in the registered capital) by the set-off of ČKA's receivable from this company.
- ČKA acquired the ownership interest in the company Burza cenných papírů Praha, a.s. at the nominal value of CZK 4.5 million (a 1.17% share in the registered capital) by the purchase of the shares from the National Property Fund of the Czech Republic.

Non-financial investments

These are current and necessary investments in the operation of ČKA/KOB, relating to larger adaptations of buildings or the securing of buildings for the placement of operating premises necessary for the activity of subsidiaries.

	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002 ^{*)}
Total investment (CZK million)	50	47	196	1,013	713
thereof:					
Buildings and structures	8	12	0	955	220
Other investments	42	35	196	58	493

*) the item other investments also includes, based on the change in accounting policies (methodology) as from 1 January 2002, advance payments for tangible and intangible assets (CZK 167 million).

Non-financial investments planned in 2002

- Brno – Medlánky, Hudcova Street.

On 31 December 2002, an advance amounting to the purchase price of CZK 167,027,194.04 was paid, based on the Contract for a future contract. The Purchase contract as such will be signed, and the ownership rights will be entered in the Land Register, probably in the second quarter of 2003.

Construction investments planned for 2002 (over CZK 100,000)

Assumed price (CZK '000)

a) Building - Praha 1, Na Příkopě 3-5	
- Surveying and plotting in of the actual status of the building	150
- Project documentation for heavy-current distribution systems	500
b) Building - Praha 7, Janovského 2/438	
- Completion of the fire protection security system	400
- Inspection room, general reconstruction	250
c) Building - Praha 7, Janovského 2/438	
- Completion of the security system - archives	100
- Telephone exchange - data backup	200
- Air conditioning	400
d) Building Ostrava	
- Building of a new porter's lodge and the company's own telephone exchange	400

Construction investments drawn as at 31 September 2002 (over CZK 100,000)

Price (CZK '000)

a) Building - Praha 1, Na Příkopě 3-5	
- Surveying and plotting in of the actual status of the building	113
b) Building - Praha 7, Janovského 2/438	
- Inspection room, air-conditioning	150
c) Building - Praha 7, Janovského 2/438	
- Air conditioning	180
d) Building Ostrava	
- telephone exchange	188

List of real property owned by the Czech Republic, administered by the Agency (ČKA) as at 31 December 2002

	Property	Indic. number	Number of the plot	Area (sqm)	Acq. price (CZK'000)
1.	Praha 1, Na Příkopě 3-5	390	st. 484	1,272	101,599
2.	Praha 7, Janovského 2	438	st. 1255	4,433	442,094
3.	Praha 7, Náb. Kpt. Jaroše	1000	st. 1260	6,808	149,480
4.	Dolní Dvůr	21	st. 85/1, st. 425	956	23,556
5.	Koloděje nad Lužnicí	66, 105	st. 127, st. 129, st. 502, 485/2, 485/10, 1276/13, 1311	1,765	6,800
6.	Ostrava	1448	st. 470/13	243	17,417
7.	Kraslice, Poh.stráže 341	341	st. 472, 257/7	1,063	15,357
8.	Pozemky Letňany		544/50, 52, 54, 55, 84, 85, 86, 87, 547/9, 808/2	29,891	26,299
9.	Pozemek Kladno		4864	402	1,462
10.	Garage Chomutov		654/9	22	81
11.	Praha 1, Václavské nám.19	832	574	2,030	365,927
12.	Praha 5, Kříženeckého nám.	1078	885/14	2,871	76,602

Note 1: Real property items No. 9 – land in Kladno and No. 11 - Praha 1 Václavské nám.19 were sold on 30 October 2002 by voluntary auction. The ownership title will devolve to the new owners retroactively on the day of the auction after the condition of payment of the auction price is fulfilled. This condition was fulfilled on 30 January 2003 and ČKA transferred the relevant real property to the new owners. The change in the ownership title will be entered in the Land Register, while the Land Registry Office will record this change with legal effect as at the auction day.

Note 2: On 1 October 2002 ČKA purchased from the company Česká finanční, s.r.o. the real property, including the land and facilities, located at Praha 1, Hyberská 18. The aggregate purchase price amounted to CZK 296,498,130. The real property was transferred from ČKA to the Ministry of Justice for nil consideration on 1 November 2002.

The Agency (ČKA) does not have any organizational units as defined in Section 7 of Act No. 513/1991 Coll. (the Commercial Code).

INFORMATION ON MAIN AREAS OF ACTIVITY

ČSOB/IPB – Contract on the restructuring plan

In compliance with the Contract of the restructuring plan of 31 August 2001 among ČSOB, Konsolidační banka Praha, s.p.ú. and the Czech Republic, represented by the Ministry of Finance, which governs the rights and obligations of the parties with respect to the transfer of IPB assets from ČSOB to ČKA, the Agency assumed assets from ČSOB as follows:

CZK billion	NBV	paid
SRO	6.2	6.2
thereof year 2000	3.0	3.0
thereof year 2001	3.2	3.2
Securities and ownership interests	6.3	6.7
thereof year 2001	2.4	2.6
thereof year 2002	3.9	4.2
Receivables	90.3	99.3
thereof year 2001	18.4	18.9
thereof year 2002	72.0	80.4
Real property	1.0	1.3
thereof year 2001	0.9	1.1
thereof year 2002	0.1	0.2
Total	103.8	113.5
thereof year 2000	3.0	3.0
thereof year 2001	24.9	25.7
thereof year 2002	75.9	84.8

NBV ...net book value of assets

SRO ...specific rights of option

Česká spořitelna, a.s. - Contract on restructuring and guarantees

Based on the Czech Government Resolution No 144/2000 on the privatization of the state ownership interest in the business activities of Česká spořitelna, a.s. of 2 February 2000 and in compliance with the Contract on restructuring and guarantees entered into on 1 March 2000 among Konsolidační banka Praha, s.p.ú., Česká spořitelna, a.s. and CORFINA, a.s., on 30 June 2002 the „total“ Put option was exercised and a significant portion of the remaining loan receivables of ČS covered by the guarantee of ČKA was assigned (this does not apply to overdraft accounts, derivatives and the off-balance sheet), i.e. 649 receivables at the nominal value of CZK 6,570.9 million, while the price for their assignment amounted to CZK 4,110.4 million.

At the same time the right of guarantee was exercised in the case of 373 receivables, in the aggregate amount of CZK 235.7 million, from Czech clients of the company Leasing České spořitelny, a.s. and CORFINA TRADE, s.r.o. and 22 receivables in the aggregate amount of CZK 5.7 million from Slovak clients of the company CF Danube Leasing, s.r.o.

Komerční banka, a.s. – Contract on guarantee

In compliance with the Contract on guarantee entered into based on the Czech Government Resolution No. 1334 of 29 December 2000 between KOB (later ČKA) and Komerční banka, a.s., and based on the submitted Reports on the administration of the Beneficiary's assets, ČKA issued in 2002 four Notices on its readiness to provide performance for the benefit of KB, namely :

- as at 31 March 2002 in the amount of CZK 7,773.5 million
- as at 30 June 2002 in the amount of CZK 6,437.9 million
- as at 30 September 2002 in the amount of CZK 6,812.0 million
- as at 31 December 2002 in the amount of CZK 6,225.7 million

Assignment of blocks of receivables from ČKA

Small blocks

ČKA prepared and realized the sale of three blocks of receivables (ČKA01, ČKA02, ČKA03) in the form of a two-round public tender. The receivables included in the blocks (unsecured receivables, classified as ČNB grade 5) originated from the early terminated lease contracts of the company CORFINA, a.s. or the purchase contracts on the instalment sale of CORFINA TRADE, s.r.o.

The block ČKA01 was comprised of the set of receivables from debtors with the registered office, place of business or permanent residence in the territory of Prague and in the Central Bohemian region. The block contained 17 receivables from 17 debtors at the aggregate nominal value of CZK 15,464,039.

Minimum bid price offered in the first round	CZK 615,033
Maximum bid price offered in the first round	CZK 703,000
The final price achieved in the bidding	CZK 703,000

The block ČKA02 was comprised of the set of receivables from debtors with the registered office, place of business or permanent residence in the territory of Ostrava and in the Moravia-Silesian region. The block contained 33 receivables from 31 debtors at the aggregate nominal value of CZK 12,941,049.

Minimum bid price offered in the first round	CZK 441,454
Maximum bid price offered in the first round	CZK 600,000
The final price achieved in the bidding	CZK 950,000

The block ČKA03 was comprised of the set of receivables from debtors with the registered office, place of business or permanent residence in the territory of Brno and in the South Moravian region. The block contained 34 receivables from 29 debtors at the aggregate nominal value of CZK 11,381,404.

Minimum bid price offered in the first round	CZK 415,866
Maximum bid price offered in the first round	CZK 522,000
The final price achieved in the bidding	CZK 552,000

Large block

ČKA prepared and realized, in the course of the 2nd half of the year 2002, the sale of the block of receivables ČKA04 by a public tender.

On 9 July 2002 ČKA announced a tender for the sale of a block of 938 receivables from 480 debtors at the aggregate value of CZK 37.8 billion. A total of eight bidders submitted their application for the tender. A preliminary bid was submitted in the first round by the following three parties:

EC Group, a.s.	CZK 4,251,000,000
Goldmann Sachs International	CZK 1,605,943,488
PPF, a.s.	CZK 2,450,000,000

In accordance with the terms and conditions of the tender, a second round was announced, for which all the bidders, who submitted their preliminary bids, qualified. The bidders submitted on 23 September 2002 their binding bids as follows:

EC Group, a.s.	CZK 3,401,000,000
Goldmann Sachs International	CZK 2,909,086,000
PPF, a.s.	CZK 2,903,350,000

On 26 September 2002 ČKA announced the preferred bidder (tender winner), which was the company EC Group, a.s. The transaction was settled on 5 November 2002.

Preparation of the block of bankruptcy receivables

Since the beginning of 2003 ČKA has been preparing a sale of a block of receivables from bankrupts. The aggregate amount of receivables included in this block is some CZK 62 billion. The completion of the tender is scheduled for the end of June 2003.

Loans

The credit strategy with respect to the assumed receivables was governed by the principles of the business policy and key tasks. In the area of asset and receivable management, this meant:

- to more aggressively enter into the receivables market, namely by selling the package of receivables, but also by the assignment of receivables to individual interested parties with the aim of immediate collection;
- to perform administration and realization of assets, including the settlement of receivables of the old block, with the aim of minimizing costs and maximizing proceeds related thereto;
- secure legal treatment and a subsequent active, efficient and flexible administration of assets, taken over especially as part of receivable transfers from Česká spořitelna and ČSOB
- to perform business solutions with respect to receivables, namely in connection with Act No. 219/2000 Coll. on the assets of the Czech Republic, and Act No. 239/2001 Coll. on ČKA, in the form of agreements on the recognition and repayment of liabilities in cases where the recoverability of the receivables is conclusive and where the relevant conditions have been complied by the Client.

Loan activities

New loans

As of 1 September 2001, loan activities were terminated as ČKA does not have the status of a bank under Act No. 239/2001 Coll. and it is therefore not entitled to provide new loans. In the case of existing loans, ČKA focused on the individual solutions of client cases, the repayment of their loans and the overall management of the loan cases. The purpose of the above individual solutions was not only to continue the removal of bad and sometimes insufficiently supported receivables from the portfolio, especially in case of the so-called old block of receivables, but also to acquire higher security for the creditors and legal security, to secure the receivables and to achieve a higher flexibility and efficiency when resolving individual cases and to take advantage of the possibility of writing off bad receivables fully covered by specific provisions. The Agency's goal was also to decrease the credit risk and to minimize the losses on the basis of a new legal arrangement of mutual relationships, namely in compliance with Act No. 219/2000 Coll. on the assets of the Czech Republic and Act No. 239/2001 Coll. on Česká konsolidační agentura. In the case of overdue debts, this was usually realized on the basis of an agreement on the recognition and repayment of debts, concluded on the basis of a notarial entry with direct enforceability and stipulating the final maturity of these receivables. The creditor's and legal position of ČKA was therefore reinforced and in the case of the Client's default, the title will be available for execution without having to use own funds.

Bankrupt debtors

Development of receivables from bankrupt debtors

The year 2002 saw a further growth of ČKA's receivables from bankrupts. As at 31 December 2001, ČKA claimed its receivables at the aggregate nominal value of CZK 89.2 billion from the aggregate number of 2,277 bankrupts, while as at 31 December 2002, there were already 2,683 bankrupts and the aggregate nominal value of the amount due was CZK 123.4 billion.

This increase was caused by:

1. Declarations of bankruptcy of the existing clients of ČKA,
2. Assumption of bankrupt debtors from ČS as at 30 June 2002,
3. Assumption of bankrupt debtors from ČSOB,
4. Assumption of bankrupt debtors from České dráhy, s. o.

Solution of receivables from bankrupt debtors

In 2002, more than 100 bankruptcy proceedings were completed; however, in many cases, ČKA continues claiming its receivables from the guarantors of the above bankrupts.

ČKA through its representatives in the creditors' bodies made every effort to accelerate and optimize the process of realization of the bankrupt's assets. Most bankruptcies can be characterized as liquidations, which means that the bankrupt's business activities were wound up. In the case of several bankrupt companies, which proved their viability, it was possible to preserve their business and job opportunities (for instance ČKD DUKLA, CHIRANA Praha, BOHEMIA MUSICO, Favorit Rokycany, Adamovské strojírny Adamov, etc.). In these cases the new investor also took over the bankrupt's employees as part of purchase of the bankrupt's assets. In many other cases of bankruptcy, which have not been concluded yet, the bankruptcy proceedings are in progress, while the business activities and the job opportunities of the bankrupt have been preserved, and the search for a strategic investor who would purchase the bankrupt's assets is still under way.

Sale of real property

Based on the Contract on state guarantee of 19 June 2000 and the Contract on the restructuring plan of 31 August 2001, ČSOB transferred in the course of 2001 and 2002 a total of 16 real property items at the aggregate value of CZK 1,297,820,209.65 to ČKA. All real property items were offered for use to state organizations and organizational units. Of the total amount of real property items 5 buildings at the aggregate value of CZK 580,685,638.11 were transferred. Additional 6 real property items that were not accepted for use by state organizations were sold by voluntary public auction, at the aggregate price of CZK 384,525,000. The remaining real property items valued at CZK 286,135,497.29 will be transferred to state organizations or sold by auction in 2003.

Administration of loans for co-operative housing scheme

In accordance with the Government Resolution No. 206 of 23 March 1998, ČKA continues to administer the receivables relating to loans that have arisen in connection with the co-operative housing scheme. A total of 22,079 accounts of preferential loans for the co-operative housing scheme at the aggregate value of CZK 16.1 billion were transferred to KOB, the legal predecessor of ČKA, in the past. As at 31 December a total of 5,361 credits at the aggregate value of CZK 5.7 billion were already repaid, namely by both ordinary repayments and extraordinary repayments on account of the transfer of flats into private ownership of co-operative members in accordance with Act No. 72/1994 Coll.

As at 31 December 2002 the aggregate value of receivables arising from loans for the co-operative housing scheme was CZK 10,426 million.

Interbank and capital market, liquidity management

Subsequent to the transformation of KOB to ČKA in 2001, the Agency consolidated its position on the financial market in 2002 by borrowing, deposit and FX operations in large volumes, relating especially to:

- the financing of the purchase price of assets transferred from ČSOB, KB and ČS, under the relevant contracts
- the deposit of the National Property Fund denominated in EUR.

ČKA was further preparing for the commencement of trading in derivatives with the maturity over 1 year.

Deposit operations

Client deposit accounts (except for the National Property Fund)

In the course of 2002 several short-term contracts on deposit accounts were concluded, especially with receivers and some subsidiaries, at the aggregate value of approximately CZK 1.935 billion, at the end of the year the balance of deposit accounts was CZK 2.846 billion.

Promissory notes

In the course of the year ČKA issued promissory notes with various maturity for some subsidiaries, receivers and banks. The aggregate value of sums of the issued promissory notes amounted to approximately CZK 19.657 billion, of which some CZK 16.287 billion related to banks. As at 31 December 2002 the value of sums of promissory notes within terms remained at some CZK 7.040 billion.

Deposits of the National Property Fund

In the first half of the year ČKA performed operations with the proceeds of the National Property Fund from the privatization of Komerční banka (EUR 593 million), deposited with ČKA based on the Government Resolution. ČKA used these funds primarily for a temporary consolidation of its crown liquidity, using the foreign exchange swaps. In addition to this use, the above deposit served for Euro sales outside the free market, i.e. without any direct impact on the exchange rate EUR/CZK, since it was used for the payment of the purchase price for foreign exchange assets assigned from ČSOB and for reinsurance (hedging) operations for debts of the Czech Republic denominated in foreign currency. In June the National Property Fund deposited the proceeds from the privatization of its share in the company Transgas a.s. amounting to CZK 40 billion with the Agency.

Loans received and loan commitments

In the course of the year loan commitments at the aggregate value of CZK 35 billion were received, of which as at 31 December the amount of CZK 4.314 billion was drawn and unrepaid. Of the older valid loan commitments the loans at the aggregate value of CZK 18.540 billion were received.

With the aim to reduce refinancing costs, in January 2003 ČKA exercised its right to an early repayment (CZK 3.2 billion) in the case of the syndicated loan received in May 2000 for the financing of the construction of the Radiocommunication system for units of the Integrated Rescue System and cancelled the loan framework (CZK 6 billion) of the syndicated loan received in December 1998 for the financing of general requirements.

Issue of ČKA bonds

In the course of June 2002, in accordance with the established bond program, two issues of medium-term and long-term bonds were issued. On 10 June 2002 five-year bonds at the aggregate value of CZK 5 billion were issued, with the fixed interest rate of 5.05% p.a. and the annual payment of coupons. The main manager of the issue was ING Bank N.V. On 28 June 2002 three-year bonds at the aggregate value of CZK 10 billion were issued, with the floating interest rate derived from the 6M PRIBOR fixing and a margin of 0.09% p.a. The coupon is repaid on a half-yearly basis. The main manager of the issue was PPF burzovní společnost a.s. The terms and conditions of the issue are available, inter alia, from the web sites of ČKA.

In February 2003 the resolution of the Securities Commission came into force, whereby the issue program of short-term bonds valued at CZK 20 billion was approved with validity until 31 December 2011.

OWNERSHIP INTERESTS

Survey of ownership interests of ČKA as at 31 December 2002 (exposure over 10%)

	Company name	Registered capital of the company (CZK '000)	Share of ČKA in the registered capital (%)
Direct share	Česká finanční s.r.o.	200	100.00
	IPB Real, a.s.	1,000,000	100.00
	Konpo, s.r.o.	100	100.00
	PRISKO a.s.	794,760	100.00
	Revitalizační agentura, a.s., in liquidation	270,000	100.00
	SANAKON, s.r.o, in liquidation	100	100.00
	První česko-ruská banka, s.r.o.	335,332	48.66
	ŠKODA TS a.s.	186,000	63.44
	VSM ČR, a.s., in liquidation	1,000	50.00
	ČKD DOPRAVNÍ SYSTÉMY, a.s.	925,989	49.92
	ŠKODA HOLDING a.s.	2,171,000	48.40
	ČKD PRAHA HOLDING,a.s.	8,144,968	47.47
	PVT, a.s.	784,035	37.01
	ČSA, a.s.	2,735,510	34.59
	KORADO, a.s.	840,700	34.22
	Letov, a.s.	1,798,833	31.46
	VZLÚ, a.s.	750,968	31.46
	AERO Vodochody, a.s.	2,691,926	29.00
	KRÁLOVOPOLSKÁ, a.s.	954,121	21.85
	ZVVZ, a.s.	677,011	13.92
Indirect share (through Česká finanční, s.r.o.)	BASKA, a.s. in liquidation	570,500	100.00
	COOP BANKA, a.s. in liquidation	501,000	99.80
	EKOAGROBANKA, a.s. in liquidation	501,200	99.76
	Banka Bohemia, a.s. in liquidation	800,290	65.50
	COLORLAK, a.s.	187,894	25.78
	Spolek pro chem. a hut. výr., a.s.	1,939,408	53.73
	H-Systém, a.s. in bankruptcy	1,738,501	24.89
	H-Systém Luxus, a.s.	439,800	24.78
	1. čs. amer. real. spol., a.s.	463,200	21.37

Pivovar Litovel, a.s.	421,000	18.05
Česká banka a.s. Praha in liquidation	1,200,000	11.71
Integra Service, a.s.	1,000	10.00

Information on companies in which ČKA held direct share as at 31 December 2002

Aero Vodochody, a.s., Letov, a.s., in bankruptcy, VZLÚ, a.s

All the above investments (ownership interests) in the aviation industry companies were made subsequent to the Czech Government Resolution adopted in 1994, on the basis of which KOB purchased the receivables and guarantees of the banks towards Aero Holding, a.s., and Aero Holding a.s. subsequently repaid its liability towards KOB with shares of its subsidiaries - Letov, Aero Vodochody, VZLÚ and Technometra Radotín. In the transaction, KOB acquired an identical share in all the above companies, accounting for 31.46% of their registered capital. The share in Technometra Radotín has already been sold subsequent to the restructuring of this company.

As part of the restructuring and stabilization process of the company AERO Vodochody, a.s., its registered capital was reduced by approximately CZK 960 million and subsequently, it was increased by CZK 1.74 billion, of which CZK 780 million were subscribed by KOB. After the entry of the increase of the registered capital and the issue of shares, KOB's share in Aero Vodochody, a.s. increased to 44.8% of its registered capital. The purpose of this operation was to free the company from debt and to consolidate its economic position before the entry of a strategic partner. After the capital entry of the company Boeing Česká in 1998, the share of ČKA amounted to 29% of the registered capital.

The share of ČKA in VZLÚ, a.s. accounting for 31.46% remained unchanged and secures the required state majority in this company. The majority share of „state“ agencies is a necessary prerequisite for the performance of the company's business, especially the possibility to acquire international grants in the area of aviation and military technology and other similar assignments. The other „state“ shareholder of VZLÚ, a.s. is the joint-stock company PAL (subsidiary of the National Property Fund of the Czech Republic), which holds 44.61% of shares of VZLÚ, a.s. PAL a.s. acquired these shares by the purchase of the share of AERO Holding, a.s. in VZLÚ, a.s. in connection with the entry of the company AERO Holding, a.s. into liquidation.

The assets of the company Letov, a.s. were declared bankrupt in February 1998. Based on the completed tender and in accordance with the Czech Government Resolution No. 157/03 in March 2003, this ownership interest of ČKA was transferred to the selected bidder.

Česká finanční, s.r.o. (see FS ČKA)

České aerolinie, a.s.

The ownership interest in ČSA, a.s., the most important Czech air carrier, was acquired on the basis of the decision of the Czech Government in connection with the withdrawal of the company Air France from Československé aerolinie, a.s. in 1994. In that year, KOB purchased Air France CS Participation S.A. a share, representing 19.10% of the company's registered capital from the company. After the increase and subsequent reduction of the company's registered capital in 1995, the purpose of which was to redeem the losses of the company incurred in previous years, KOB's share decreased to 16.32%. In September 1997, EBRD exercised a sales option on the basis of a contract entered into between KOB and the European Bank for Reconstruction and Development in 1994 and of the decision of the Czech Government. As a result, KOB purchased from EBRD the shares of the company ČSA, a.s. representing a further 16.32% share in its registered capital. In 1999 and 2001, KOB also exercised its pre-emption right relating to the sale of shares of the company by some original shareholders and thus acquired another 1.96% of the registered capital. The current share of ČKA in the registered capital of the company accounts for 34.59%.

Český Mobil a.s.

ČKA acquired the ownership interest in this company accounting for 4.38% based on the exercise of the Contract on state guarantee of 19 June 2000 and the Contract on the restructuring plan of 31 August 2001 entered into among ČSOB, KOB and the Ministry of Finance. The sale of this ownership interest is anticipated in the course of the year 2003.

ČKD DOPRAVNÍ SYSTÉMY, a.s., in bankruptcy

The investment of ČKA in this company, which is an important producer of rail transportation technology, was approved on the basis of the decision of the Government in August 1999. The purpose of the acquisition of the share accounting for almost 50% was to secure the conditions for the performance of the existing contracts and the entry of a strategic partner.

On 28 January 2000, the company ČKD Dopravní systémy, a.s. was declared bankrupt, while based on the decision of the receiver, the Loan Committee and the Court, it was agreed that the bankrupt shall continue its activities in order to complete the assignments and to sell the bankrupt's assets to a strategic partner under the conditions of the bankruptcy proceedings.

Based on the completed tender and in accordance with the Czech Government Resolution No. 157/03 this ownership interest of ČKA was transferred to the selected bidder in March 2003.

ČKD PRAHA HOLDING, a.s.

ČKA acquired this ownership interest based on the Czech Government Resolution in November 2002, when as part of the composition proceedings ČKA was authorized to perform the capitalization of some of its receivables from ČKD PRAHA HOLDING a.s.

It is anticipated that this ownership interest will be sold in the course of the year 2003 and/or its subsidiaries will be sold by tender, based on the concerted action of all other major shareholders (The National Property Fund of the Czech Republic and Konpo, s.r.o.)

IPB Real a.s.

Česká konsolidační agentura acquired a 100% share in the company IPB Real a.s. from ČSOB on 17 May 2002 in compliance with the Contract on the restructuring plan. The nominal value of the share of ČKA in the company amounts to CZK 1 billion. On 28 May 2002, a loan receivable was also assigned to ČKA on the basis of the Contract on assignment of receivables by ČSOB at the nominal value of CZK 670.5 million. The intention of ČKA is to sell all the assets related to IPB REAL, a.s. to a new owner, with the envisaged completion of the process by the end of the 3rd quarter of 2003.

Konpo, s.r.o. (see FS ČKA)**KORADO, a.s.**

In the second half of 2000, some of KOB's receivables from KORADO were capitalized and KOB thus acquired ownership interest at the nominal value of CZK 287.7 million, i.e. a 34.22% share in the registered capital of KORADO, a.s.

Based on the results of the tender the Czech Government approved in December 2002 the sale of ownership interest of ČKA in KORADO, a.s. and the assignment of ČKA receivables from KORADO, a.s. to the company Czech Radiators B.V.

Královopolská, a.s.

ČKA acquired a share in the company by the capitalization of its receivables from this company, based on the Government Resolution No. 1079/2000 on the financial restructuring of the company's liabilities. Currently, ČKA holds a 21.85% share in the company's registered capital. After the reduction of the registered capital by the withdrawal of part of the shares owned by the majority shareholder KRAS, a.s. from circulation (approved by the General Meeting on 17 February 2002) the share of ČKA in the company's registered capital will account for 67%. It is anticipated that this ownership interest will be sold in 2003.

PRISKO a.s. (see FS ČKA)**První česko-ruská banka, s.r.o.**

The Bank was established in Moscow in 1996 and its primary focus was to serve the Czech-Russian trade and the Czech-Russian businesses. It is placed approximately 300th on the list of Russian banks. The bank holds a licence, which entitles it, in fact, to all banking operations performed for both legal entities and private individuals.

The share accounting for 97.32% of the registered capital was transferred to ČKA from ČSOB in August 2002. In December 2002 a strategic partner, the Russian company Strojtransgaz entered into the bank, increasing the bank's registered capital twofold. The share of ČKA in the bank's registered capital of RUB 353.6 million thus accounted for 48.66%.

PVT, a.s.

ČKA acquired the 37.01% ownership interest in this company, based on the exercise of the Contract and the state Guarantee of 19 June 2000 and the Contract on the restructuring plan of 31 August entered into among ČSOB, KOB and the Ministry of Finance. It is anticipated that this ownership interest will be sold in the course of 2003.

Revitalizační agentura, a.s. v likvidaci (see FS ČKA)**SANAKON, s.r.o. (see FS ČKA)****ŠKODA HOLDING, a.s.**

The investment in this company was made on the basis of the decision of the Czech Government made in April 2000 in order to resolve the critical financial situation of the company ŠKODA, a.s. and to restructure the entire Škoda group. ČKA therefore acquired, in connection with the restructuring project as prepared in co-operation with Revitalizační agentura, a.s. v likvidaci, a 48.4 % share in the company's registered by the capitalization of bills receivable. In December 2002 the Czech Government approved, inter alia, the sale of this ownership interest held by ČKA to the company Appian - Machinery AG and in February 2003 the shares were effectively transferred.

ŠKODA TS a.s.

ČKA acquired the ownership interest in this company based on the Czech Government Resolution by the capitalization of ČKA receivables from the company ŠKODA TS, a.s., namely in October 2002.

In December 2002 the Czech Government approved, inter alia, the sale of this ČKA ownership interest to the company Appian-Machinery AG and in February 2003 the shares were effectively transferred.

Union Group, a.s.

ČKA has had a share in this business group since 1994, when it first acquired the share directly in Union banka, a.s. by the capitalization of receivables and, subsequently, it purchased another share. After the completion of these operations, KOB owned a total of 11.4% of the registered capital of the above financial institution at the given date. In 1996, in connection with the restructuring of the financial group concentrated around Union banka, a.s., an exchange contract was entered into on the exchange of the shares of Union banka, a.s. for the shares of the company Union Group, a.s. ČKA at present holds a 5.22% share in the company's registered capital.

Zetor, a.s.

In connection with the company's critical situation, the Czech Government decided, based on Resolution No. 305 of 29 March 2000, on the adoption of measures aimed at revitalization and identification of a strategic investor for Zetor, a.s. At this time the share of KOB in the registered capital of the company Zetor, a.s. accounted for 49.99%. Subsequently, the extraordinary General Meeting of the company Zetor, a.s., held on 23 June 2000 decided on the reduction in the company's registered capital to CZK 4,139,000. The Regional Court of Brno permitted the company Zetor, a.s. on 21 February 2001 the composition, which was confirmed

by its decision of 18 May 2001. These court decisions enabled the continuation of the restructuring process at the company and the search for a strategic investor for the company.

After the purchase of shares from the company Revitalizační Traktor s.r.o on 28 November 2001, the share of ČKA in the registered capital of the company Zetor, a.s. as at 31 December 2001 accounted for 97.74%. The ownership interest of ČKA in Zetor, a.s. grew from 97.742% to 97.929%, namely based on the obligatory purchase of the shares of this company from minority shareholders. The obligation to submit the takeover bid has arisen to ČKA based on the above purchase of the ownership interest in the company Zetor, a.s. from the company Revitalizační Traktor s.r.o.

In July 2002, in compliance with the Czech Government Resolution No 432/2002, the ownership interest of ČKA in the company Zetor, a.s. (the shares, representing 97.74% of the company's registered capital) was sold and all the receivables of ČKA from Zetor, a.s. were assigned to the company HTC holding a.s. The shares were effectively transferred in August 2002.

ZVVZ, a.s.

As at 31 May 2000, KOB acquired in compliance with the Czech Government Resolution No 373 of 10 April 2000 a total of 94,237 ordinary bearer shares, which are not registered anymore at present, of the company ZVVZ, a.s. at the nominal value of CZK 1,000 per share, at the aggregate value of CZK 94.237 million. As at 31 December 2002 the share of ČKA in the registered capital of the company ZVVZ, a.s. accounted for 13.92%. The sale of this ownership interest based on the completed tender is anticipated in the first half of 2003.

INFORMATION ON THE DEVELOPMENT OF ACTIVITIES

The decisive operations with ownership interests in 2002 were related to the implementation of state programs with respect to major industrial companies performed mostly based on the relevant Czech Government resolutions.

ŠKODA group

After the assets of Škoda a.s. were declared bankrupt, ČKA decided to promptly find a strategic investor for the group ŠKODA HOLDING. In January 2002 a tender was announced for advisory services related to the sale of all assets of ČKA in the group ŠKODA HOLDING, in which the company J.P.Morgan plc was selected. In May 2002, J. P. Morgan commenced the search for potential investors. After J. P. Morgan's termination of the contract for the provision of advisory services in September 2002 its activities were assumed by the company Slavia Capital. In November 2002 ČKA decided on the sale of all ČKA assets in the group ŠKODA HOLDING (i.e. 48.4% of the shares of Škoda Holding a.s., 6.4% of the shares of Škoda TS a.s., bills-of-exchange of Škoda Holding a.s. and loan receivables of ČKA from subsidiaries of Škoda Holding a.s.) to the company Appian-Machinery AG at the purchase price of CZK 350 million. On 9 December 2002 the Czech Government Resolution No. 1253 on the proposal for the sale of all ČKA assets in the group ŠKODA HOLDING to a strategic investor was adopted. On 20 December 2002 the relevant sale contracts for the sale of the given assets were signed with the company Appian-Machinery AG. The sale was completed on 7 February 2003 after its approval by the Anti-Monopoly Office and after the payment of the purchase price.

Together with the sale process in the course of the year 2002, the material and financial restructuring of individual subsidiaries of Škoda Holding a.s. continued. On 25 March 2002 the Czech Government adopted Resolution No. 306 on the solution of the situation of the company Škoda TS a.s., based on which the receivables that ČKA and Škoda Holding a.s. had in this company had to be capitalized. The capitalization of receivables of ČKA in the amount of CZK 118 million was performed after the approval by the Anti-Monopoly Office in September 2002 and ČKA thus acquired a 63.4% share in Škoda TS a.s. The shares of Škoda TS a.s. were part of the package of assets sold to the company Appian-Machinery AG.

On 25 March 2002 the Czech Government adopted Resolution No. 305 on the solution of the situation of the consortium Škoda Steel. Due to the fact that the sale of all assets of ČKA in the group ŠKODA HOLDING was in progress, this Resolution was not implemented, while the financial restructuring of the consortium Škoda Steel had to be completed by the new strategic investor.

On 22 May 2002 the Czech Government adopted Resolution No. 521 on the proposal for the inclusion of selected companies into the restructuring programs EXIT and ROZVAHA, according to which the company Škoda JS a.s. had to be granted a guarantee for the financing of the project „Reconstruction of the control and management system of the Nuclear Power Plant Dukovany“. This Resolution was not implemented due to the fact that in October 2002 Škoda JS a.s. advised ČKA, that it does not need this guarantee anymore and that it has secured another manner of project financing.

VÍTKOVICE, a. s.

On 20 June 2002 the judicial composition was fulfilled when the company VÍTKOVICE, a.s. handed over promissory notes endorsed by ČKA in the amount of 30% of their unsecured receivables to individual unsecured creditors. The promissory notes are payable on 20 June 2003 and their aggregate value amounts to CZK 2.2 billion. The company VÍTKOVICE, a.s. acquired the funds for their payment by the sale of its subsidiary VÍTKOVICE STEEL, a.s. (purchased by the company OSINEK, a.s. on 29 March 2002). The company VÍTKOVICE, a.s. settled part of the promissory notes by their purchase from individual creditors prior to their maturity (the purchase was ended on 20 December 2002).

NOVÁ HUŤ, a. s.

The Anti-Monopoly Office commenced on 15 January 2002 the administrative proceedings related to the cancellation of the provided public support for the company NOVÁ HUŤ, a.s.

Based on the Czech Government Resolution No. 840/01 on 4 April 2002 the receivables of Komerční banka, a.s. from the company NOVÁ HUŤ, a.s. , arising from short-term loans of CZK 950 million and EUR 20.45 million, were assigned to ČKA. In accordance with the Government Resolution No. 840/01 and 587/02 on 29 November the receivable of Komerční banka, a.s. from the company NOVÁ HUŤ, a.s., arising from a share (CZK 1.5 billion) in the syndicated loan (CZK 2.7 billion) was assigned to ČKA.

On 18 December 2002 the Anti-Monopoly Office issued a decision permitting an exemption from the ban on public support for the benefit of the company NOVÁ HUŤ, a.s. in the form of, inter alia, the provision of an operating loan of CZK 750 million by Konsolidační banka Praha, s.p.ú., the assignment of loan receivables of ČKA from the company NOVÁ HUŤ, a.s. to the company LNM Holdings N.V. for CZK 10.86 million and the payment of the liability of the company NOVÁ HUŤ, a.s. , arising from the issued bonds in the amount of CZK 1,254 million. The permission is subject to the fulfillment of 5 conditions by providers of the public support (the Ministry of Finance and the Ministry of Industry and Trade).

VÁLCOVNY PLECHU, a.s.

The General Meeting of the company VÁLCOVNY PLECHU, a.s. approved the reduction of the registered capital for the redemption of losses of previous periods and subsequent increase of the registered capital by CZK 660 million based on the capitalization of receivables (NOVÁ HUŤ, a.s., ČKA and Konpo, s.r.o.) in accordance with Government Resolution No. 654 /2001.

KORAMO, a.s.

In accordance with Czech Government Resolution No. 791 of 25 July 2001 ČKA acquired the ownership interest in the company KORAMO, a.s., by the set-off of ČKA's receivables from KORAMO against the receivable of KORAMO for the payment of ČKA's contribution as part of an increase of the registered capital, as decided by the company's extraordinary General Meeting on 24 May 2002. Based on the Contract on transfer of securities of KORAMO, a.s. for consideration, entered into between ČKA and the company Unipetrol, a.s. in October 2002, in accordance with the above Czech Government Resolutions the ownership interest of the company UNIPETROL, a.s. was sold.

ALIACHEM a.s.

In connection with Czech Government Resolution No. 89 of 23 January 2002 ČKA sold on 30 September 2002 its receivables from the company Explosia a.s., which was established by the separation of part of the company ALIACHEM, a.s. The receivables at the nominal value of CZK 700,000,000, including accessories, were sold at the agreed price of CZK 1 to the company STROJÍRNY KOŠÍŘE, a.s.

INFORMATION ON BUSINESS PROSPECTS OF ČKA UNTIL THE END OF THE CURRENT ACCOUNTING PERIOD

Česká konsolidační agentura primarily secures as a specific consolidation institution, according to the relevant decisions of the Government, the purchase, sale and administration of loan receivables and other banking assets, assumed for consideration from commercial entities within the banking sector of the Czech Republic. In accordance with this mission ČKA will secure in the following period of the current year 2003, in particular, the transfer of an extensive volume of off-shore structures of IPB from ČSOB and the realization of other transactions relating to the sale of receivables and ownership interests, similarly important in terms of their volume. In the process of realization of the above operations ČKA will remain to be fully liquid.

Transfer of IPB assets from ČSOB to ČKA

Under the Contract on the restructuring plan of 31 August 2001, entered into among ČSOB, Konsolidační banka Praha s.p.ú. and the Czech Republic, represented by the Ministry of Finance, which governs the rights and obligations of the parties relating to the transfer of IPB business assets from ČSOB to ČKA, the Agency had to assume the selected assets from ČSOB. On 11 March 2003, according to Government Resolution No. 1000/2002 and 1001/2002, shares of the limited partner in limited partnerships and promissory notes at the net book value of some CZK 7 billion were transferred. ČKA will further assume, in accordance with Government Resolution No.745/2002, participation certificates from off-shore funds at the net book value of some CZK 43 billion.

Transfer of assets from ČS (The Czech Savings Bank) and its subsidiaries

Based on the Contract on restructuring and guarantees entered into on 1 March 2000 among KOB, ČS and Corfina, according to the status as at 31 December 2002 the assets of ČS and its subsidiaries at the aggregate value of CZK 4 billion remain to be covered by the Guarantee of ČKA.

Transfer of assets from Komerční banka a.s.

Under the Contract on guarantee entered into on 29 December 2000 between Komerční banka a.s. and Konsolidační banka Praha s.p.ú., the guarantee is provided for risk assets of KB with the maximum amount of the performance capped at CZK 20 billion.

Proposed further procedure in the area of asset realization

In the area of further realization of assets, the continuation of block sales of receivables is envisaged, as well as individual sales and at the same time additional recovery processes implemented on a continuous basis, including the restructuring of receivables and realization of collaterals, will continue.

Since the beginning of the year 2003 the sale of a block of receivables from bankrupt debtors at the aggregate value of CZK 62 billion has been being prepared. The anticipated month of its realization is June 2003. If approved by the Ministry of Finance, ČKA intends to prepare for sale subsequently another block of receivables.

At the same time, ČKA also envisages, subject to the approval by the Government, to reduce the existing scope of the portfolio of ownership interests and securities held by ČKA. This means to sell on the public market all registered titles, to complete the agreed sales transactions and after finding the purchaser based on

the public offering, also sell unregistered securities and ownership interests of ČKA in companies, except for shares having a strategic significance.

With regard to the relevant provisions of Act No. 239/2001 Coll., on Česká konsolidační agentura, under which the liabilities of ČKA are guaranteed by the state and according to the provisions of the concluded contracts on the redemption of ČKA's losses from the realization of selected operations by the National Property Fund of the Czech Republic, possible losses incurred in the realization of these operations would not imperil, in any respect, the ability of ČKA to discharge its obligations arising from bonds issued by the Agency.

INFORMATION ON SECURITIES

Except for the notes issued as part of ordinary business operations, KOB and ČKA have issued five bond issues at the total nominal value of CZK 29 billion since 1996, of which the 1st issue at the aggregate value of CZK 2 billion has already been duly redeemed. None of the bond issues entitles bondholders to exercise the right of bond exchange for participation securities.

Bond issues

After the redemption of the 1st issue of KOB in 2001 the following bond issues remain in circulation:

2st issue of KOB - basic parameters

Type:	bond
Form:	bearer
Format:	book-entered
Currency:	CZK
Issue value:	CZK 7,000,000,000
Nominal value:	CZK 10.000
Coupon:	fixed in the amount of 10.875% p.a., payable once a year on 15 April every year
Date of issue:	15 April 1997
Due date:	15 April 2004
ISIN:	CZ 0003700445
Administrator:	Investiční a Poštovní banka, a.s. with the registered office at Senovážné náměstí 32, Praha 1
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 44a of the Banking Act.

No pre-emption or exchange rights are attached to the bond. The bond issue has been approved based on the decision of the Ministry of Finance of the Czech Republic Ref. No. 103/19 350/97 of 25 March 1997. The bond was accepted for trading on the primary market of the Prague Stock Exchange, a.s.

The issue terms and conditions are set forth in the Prospectus of these bonds which has been published on the web site of ČKA www.czka.cz.

3rd issue of KOB - basic parameters

Type:	bond
Form:	bearer
Format:	book-entered
Currency:	CZK
Issue value:	CZK 5,000,000,000
Nominal value:	CZK 10,000
Coupon:	floating in the amount of (6M PRIBOR + 0.125% p.a.), payable on a half-yearly basis on 17 September and 17 March every year
Date of issue:	17 March 1998
Due date:	17 March 2005
ISIN:	CZ 0003700478
Administrator:	Investiční a Poštovní banka, a.s. with the registered office at Senovážné náměstí 32, Praha 1
Guarantee:	Bonds are secured as at the date of issue by the guarantee of the Czech Republic as defined in Section 44a of the Banking Act.

No pre-emption or exchange rights are attached to the bond. The bond issue has been approved based on the decision of the Ministry of Finance of the Czech Republic Ref. No. 103/82 584/97 of 24 November 1997. The bond was accepted for trading on the primary market of the Prague Stock Exchange, a.s.

The issue terms and conditions are set forth in the Prospectus of these bonds which has been published on the web site of ČKA www.czka.cz.

Issue program of ČKA bonds

Based on the decision of the Securities Commission Ref. No. : 45/N/14/2001/1, which came into force on 4 May 2001, Konsolidační banka Praha, s.p.ú., in co-operation with the chief arranger – the company ING Bank N.V., Prague office, on 3 August 2001 established the issue program of bonds. In the course of duration of this program, which is 15 years, ČKA as the legal successor to KOB is entitled to issue bonds, the unredeemed value of which would not exceed CZK 20 billion and maturity would not exceed 15 years.

1st issue of ČKA issued within the bond program - basic parameters

Type: bond
Form: bearer
Format: book-entered
Currency: CZK
Issue value: CZK 5,000,000,000
Nominal value: CZK 10,000
Coupon: fixed in the amount of 5.05% p.a., payable once a year, on 10 June every year
Date of issue: 10 June 2002
Due date: 10 June 2007
ISIN: CZ 0003700627
Administrator: Komerční banka, a.s., Václavské nám. 42, Praha 1
Guarantee: Bonds are secured as at the date of issue by the guarantee of the Czech Republic as defined in Section 1a of the Act No. 239/2001 on ČKA

No pre-emption or exchange rights are attached to the bond. The bond issue has been approved based on the decision of the Securities Commission Ref. No. 45/N/14/2001/2 of 17 May 2001. The bond was accepted for trading on the secondary market of the Prague Stock Exchange, a.s.

The complete wording of the issue terms and conditions is comprised of the general (bond issue) terms and conditions set forth in the Prospectus of the bond program and the supplement to the terms and conditions, set forth in the Pricing Supplement to these bonds, published on the web site of ČKA www.czka.cz.

2nd issue of ČKA issued within the bond program - basic parameters

Type: bond
Form: bearer
Format: book-entered
Currency: CZK
Issue value: CZK 10,000,000,000
Nominal value: CZK 1,000,000
Coupon: floating in the amount of (6M PRIBOR + 0.09% p.a.), payable on a half-yearly basis, 6, 12, 18, 24, 30 and 36 months from the date of issue
Date of issue: 28 June 2002
Due date: always on the day of expiration of the three-year term from the date of issue
ISIN: CZ 0003700635
Administrator: Komerční banka, a.s., Václavské nám. 42, Praha 1
Guarantee: Bonds are secured as at the date of issue by the guarantee of the Czech Republic as defined in Section 1a of the Act No. 239/2001 on ČKA

No pre-emption or exchange rights are attached to the bond. The bond issue has been approved based on the decision of the Securities Commission Ref. No. 45/N/14/2001/5 of 24 June 2002. The bond was accepted for trading on the secondary market of the Prague Stock Exchange, a.s.

The complete wording of the issue terms and conditions is comprised of the general (bond issue) terms and conditions set forth in the Prospectus of the bond program and the supplement to the terms and conditions, set forth in the Pricing Supplement to these bonds, published on the web site of ČKA www.czka.cz.

Short-term bond issue program of ČKA

In the third quarter of 2002 the Agency in co-operation with attorneys-at-law Procházka/Randl/Kubr, commenced work on the establishment of a the short-term bond issue program having the parameters as follows:

- The aggregate nominal value of all outstanding bonds issued under the program shall not exceed CZK 20,000,000,000 at any time,
- The duration of the program within which ČKA may issue the bonds shall be until 31 December 2011
- the maturity of any bond issue under the program shall not exceed 1 year and shall not extend beyond 31 December 2011.

On 4 December 2002 ČKA filed an application for the approval of the short-term bond issue program with the Securities Commission. Based on the decision of the Securities Commission Ref. No: 45/N/679/2002/2, which came into effect on 21 February 2003, the program was established.

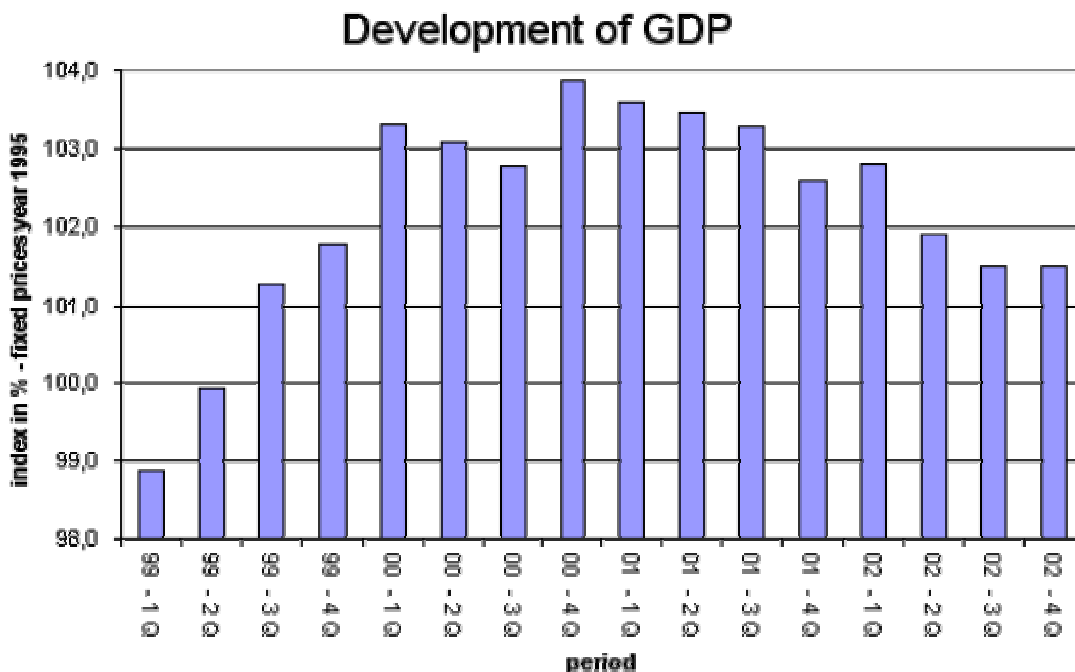
DEVELOPMENT OF CZECH ECONOMY IN 2002

The Czech economy was influenced in 2002 by two factors: the low level of economic growth in EU countries and the anticipation of further development in the crisis region of the Near East. The recession in EU countries subsequently made itself felt in the Czech economy especially by the unprecedented low inflation rate but also by the slowing down of the economic growth and the rise in the unemployment rate. Due to the above development and in accordance with the development trend in EU countries and in the U.S. interest rates were dropped. The exchange rate of Czech crown (CZK) to U.S. dollar gained in value, however it was relatively stable to Euro. The Czech Statistical Office made a mistake during the year in the calculation of certain macroeconomic indicators which subsequently influenced the monetary policy of the Czech National Bank.

GDP

The gross domestic product (GDP) grew in 2002 when expressed on the year-on-year basis, in real terms by 2.0%, however during the year the growth of GDP was gradually slowing down (from 2.6% in the first quarter to 1.5% in the last quarter). Last year, the development of the Czech economy was influenced by a number of various factors:

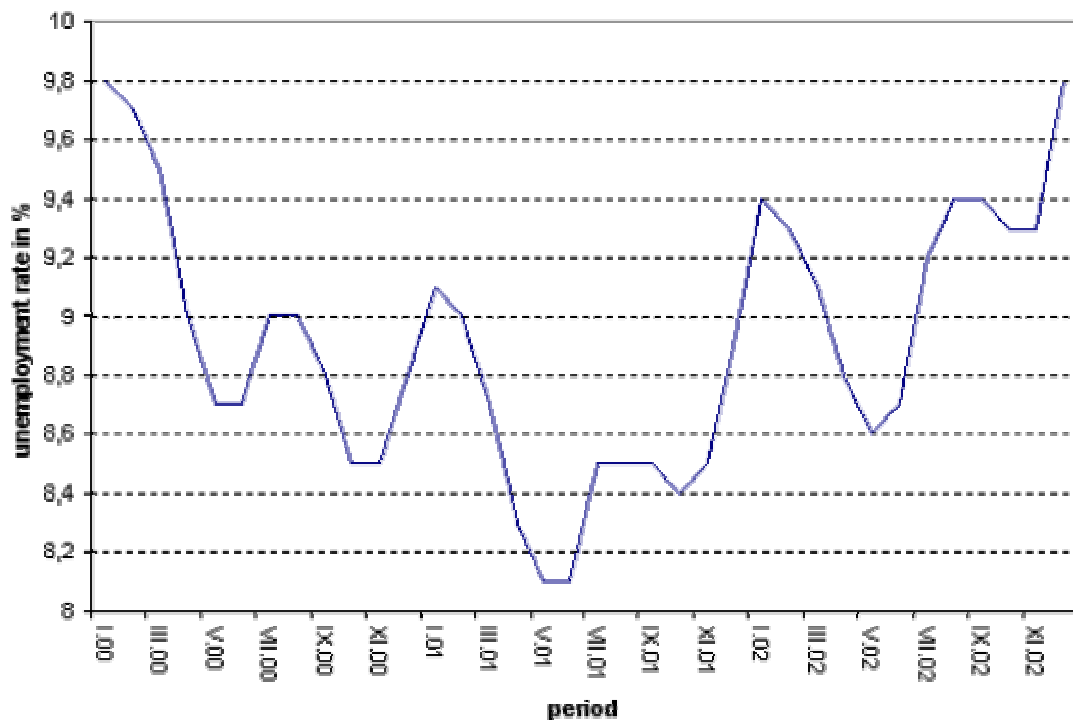
1. The August floods which, whilst having no crucial impact on the performance of core production industries, nevertheless had a serious negative impact on revenues from tourist trade.
2. Stagnation and the resulting low demand in the countries of our main business partners (especially in Germany) complicated sales of export-oriented producers.
3. The appreciation of the exchange rate of the Czech crown, which not only has weakened the export potential of the economy but has also resulted in the reduction of import costs, created a demanding environment for the realization of domestic products on the market.
4. Considerable movement in the prices of imported raw material commodities (mainly crude oil).



Unemployment

The unemployment rate was 9.8 percent at the end of 2002, which was 0.9 percent more than at the end of 2001. The Labour Offices registered 514,435 job seekers at the end of the year. The highest unemployment rate was, similarly to previous years, in North Bohemia and North Moravia (Most 21.7%, Karviná 19.6%). The lowest unemployment rate was in Prague (3.7%). In 2002 the proportion between the number of the unemployed and the number of vacant positions was on the rise. At the same time, in both absolute and relative terms, the share of long-term unemployed grew.

Unemployment rate in the Czech Republic

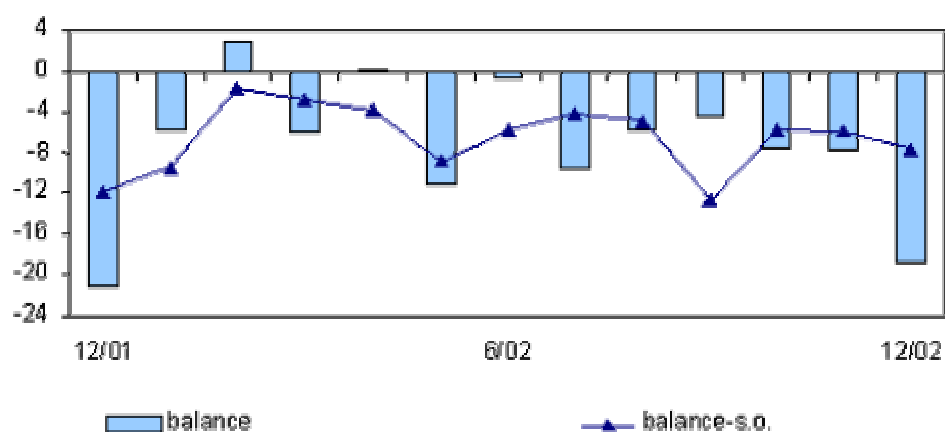


Foreign trade and the balance of payments

In 2002 exports, expressed on the year-on-year basis, dropped in current prices by 1.4% to CZK 1,251.8 billion. Imports dropped by 4.3% to CZK 1,326.3 billion. The aggregate liability in the amount of CZK 74.5 billion was by CZK 42.2 billion lower than in 2001. During the year 2002 the development of the foreign trade was gradually deteriorating, mainly due to the continued recession in EU countries, especially in Germany.

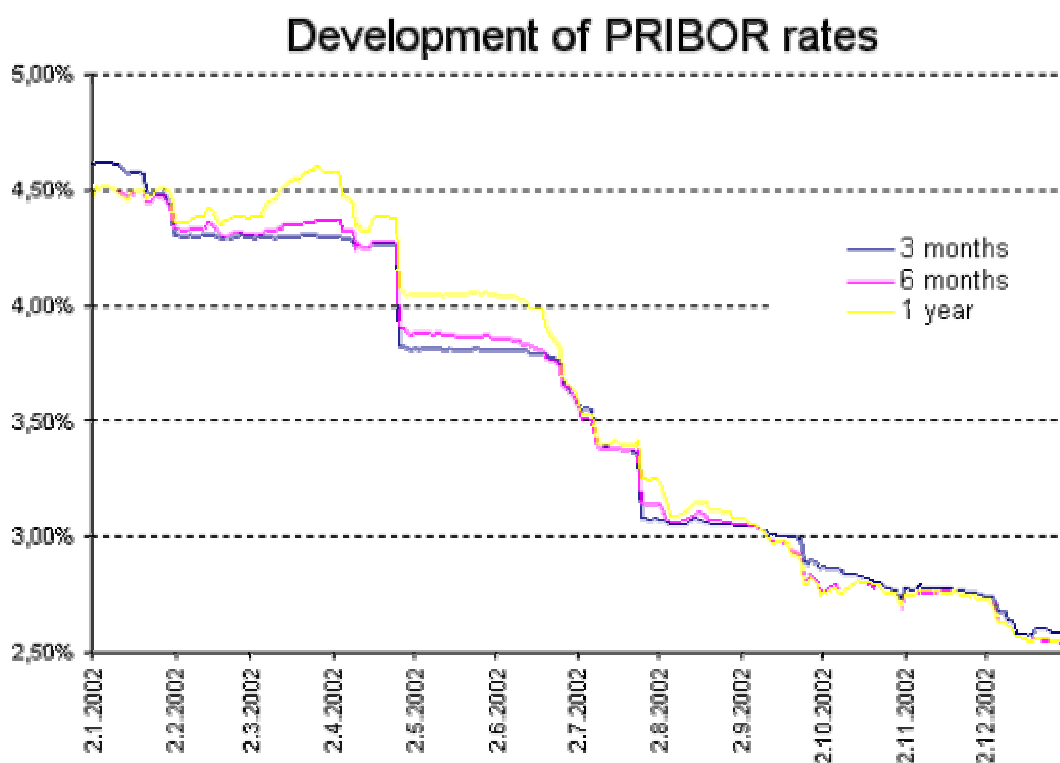
Development of balance of trade

CZK billion current prices



Interest rate

The development of interest rates in 2002 was especially influenced by the continuing recession in EU countries, where ECB was gradually cutting the interest rates, a low inflation rate in the Czech Republic and a deterioration in foreign trade. ČNB (The Czech National Bank) decided to cut its interest rates five times (discount rate dropped from 3.75% to 1.75%, the fortnightly repo rate dropped from 4.75% to 2.75% and the Lombard rate dropped from 5.75% to 3.75%), whereby the interest rates in the Czech Republic and EU have gradually converged. The rates on the interbank market PRIBOR gradually adjusted to this development. A drop in interest rates on the interbank market had a favourable impact on the reduction of interest expenses of businessmen and private individuals due to the lower interest rate of provided loans.



Statutory minimal reserve

In 2002 there was no change in the amount of the statutory minimal reserve which remained at 2% of the primary deposits of the banks. The statutory minimal reserve bears interest at the repo rate.

Prices and inflation

The annual inflation rate, expressed by the increase of the consumer price index in 2002 in comparison with 2001, was 1.8%, which represents the lowest level of the year-on-year inflation since 1990. In comparison with 2001 the inflation rate slowed down by 2.9 percentage points. Prices grew more rapidly than in 2001 in only in three sections of the consumption basket: health, education, food and accommodation. In all other sections of the consumption basket the growth rate slowed down or the prices dropped. The inflation rate was especially influenced by the decrease in prices of food and soft drinks, and the transport and slowing down of the price growth, especially with respect to the housing costs. The inflation rate expressed by the increase in the consumer price index in December 2002 in comparison with December 2001 reached 0.6%. The year-on-year increase of consumer prices had a considerable decreasing trend in the first half of the year, from July onwards the year-on-year growth, in practice, stabilized at a very low level. This development was especially influenced by prices in the sections food and soft drinks, housing, recreation and culture.

Public budgets

Deficit tendencies of public budgets established in the 90's further continued in 2002. Apart from the state budget, regional budgets also contributed considerably to this status. Towns (municipalities) resolve especially the development of infrastructure by deficit financing. The gap between revenues and expenses of public budgets is constantly growing. On the revenue side there is a slight increase of the compound tax quota. The main reasons for the increase of the expense side consist of the impacts of transformation costs and costs incurred in the restructuring and modernization of the economy. Apart from direct costs of the transformation, the public budgets bear the costs incurred in the harmonization of the infrastructure quality and environmental standards with EU standards and costs relating to the adjustment of policies and the legal and institutional framework. All these factors contribute to a relatively limited space for the implementation of an efficient fiscal policy and at the same time make the reduction of the share of public expenditures in the gross domestic product impossible.

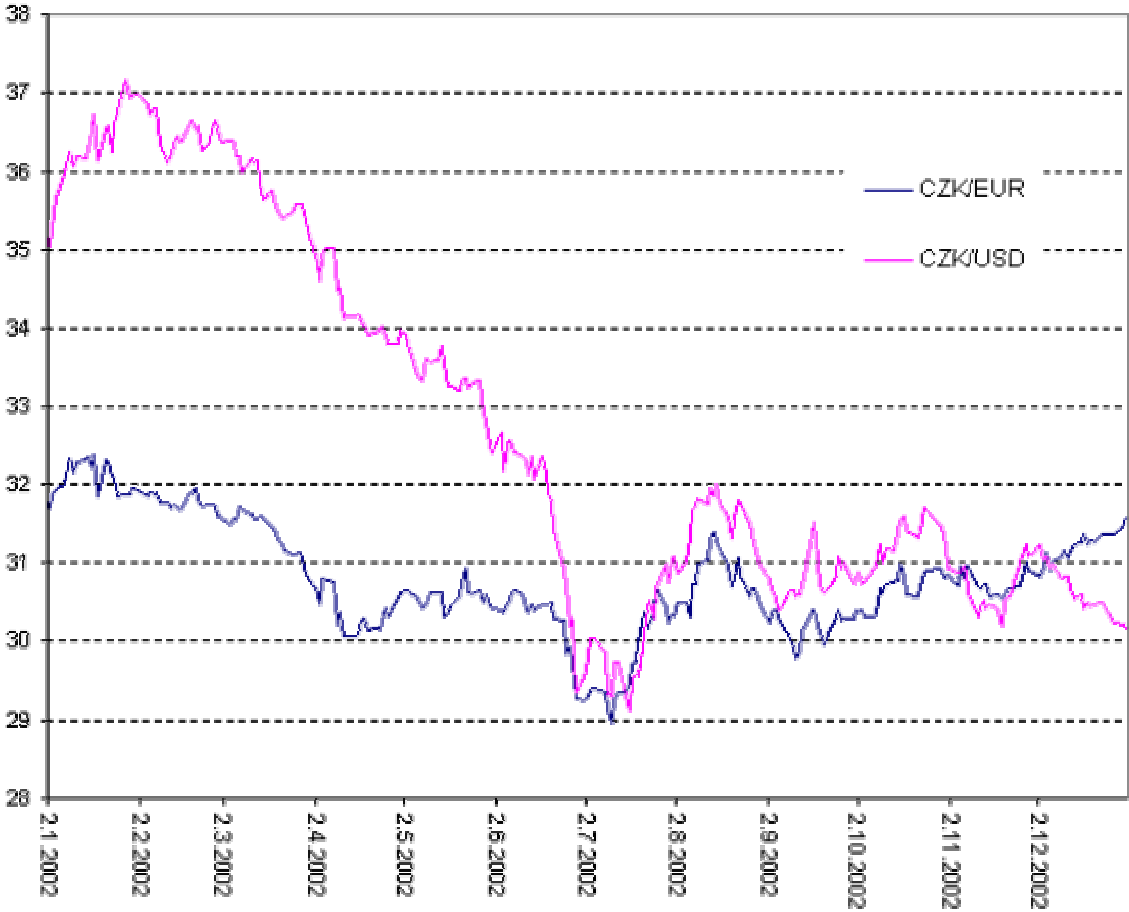
State budget

According to preliminary information on state budget treasury indicators, the balance of the state budget in 2002 ended in the final deficit of CZK 45.8 billion. The total revenues amounted to CZK 705.0 billion and total expenditures were drawn in the amount of CZK 750.8 billion. The result of the state budget management, which is more favourable than originally anticipated, can be attributed mainly to the carrying forward of ČKA loss to the future period. The crucial problem remain to be mandatory expenditures of the state budget, especially the social-related ones. The August floods have not radically influenced the development of the state budget.

Exchange rate

In the first half of the year the Czech crown gained in value to the U.S. dollar. This appreciation was caused by the development of the exchange rate EUR/USD, since the Euro considerably gained in value to U.S. dollar. Par value between the U.S. dollar and Euro occurred in the course of July 2002. The development of the exchange rate of the Czech crown to Euro was more balanced, despite the fact that there were some fluctuations in connection with current macroeconomic events and possible interventions of the Czech National Bank. The stability of the exchange rate of the Czech crown was influenced by the joint procedure of the Czech Government and the Czech National Bank, arising from the adopted strategy of solution of exchange rate impacts on the flow of capital from the privatization of state-owned assets and from other foreign exchange proceeds of the Government. Thereby the direct impact of the conversion of the foreign exchange income of the state on the economy with immediate impact on the financial markets was mitigated.

Development of exchange rate of CZK to EUR and USD



Capital market

The development of the stock market especially reflected the interest of foreign investors who are decisive for the trading on the Prague Stock Exchange (the importance of the RM-system is constantly declining). The Index PX – 50 grew, when expressed on the year-on-year basis, from 394.6 points as at 31 December 2001 to 460.7 points as at 31 December 2002. The number of issues dropped from 102 as at 31 December 2001 to 79 as at 31 December 2002. The development of the bond market responded in 2002 especially to the monetary decisions of the Czech National Bank and the development of the interbank market.

Privatization in the Czech economy

In 2002 the preparation of some major, still unprivatized companies, for future privatization continued (ČESKÝ TELECOMS, a.s., ČEZ, a.s., Unipetrol, a.s.). In case of Unipetrol, Agrofert Holding, the winner of the privatization tender, has withdrawn from the privatization. In May 2002 the company RWE Gas AG paid EUR 4.1 billion for the privatization of the gas sector in the Czech Republic. RWE thus became the majority owner of the firm Transgas and the owner with controlling interest of eight regional gas distributors. In June 2002 a contract for the sale of the majority share in Nová Huť, a.s was signed with the Dutch company LNM Holdings N.V.

FINANCIAL INFORMATION

Information on the registered capital

Description of the company's structure

As the state-owned financial institution KOB has not issued shares, since 1994 it had available registered capital of CZK 5.95 billion, established in accordance with the relevant Government Resolutions by the transfer from the registered capital of the federal Konsolidační banka (Consolidation Bank), and further by subsidies of the National Property Fund of the Czech Republic, from the bank's reserve fund, by transfer from the profit distribution and by contribution of the founder. The registered capital of KOB of CZK 5.95 billion was 100% paid up and ČKA took it over in connection with the transformation from KOB.

Development of the creation and structure of the registered capital of KOB/ČKA

Date	Capital amount	Increase (CZK million)	
21 February 1991		10.00	founder's contribution
31 December 1991	10.00		
		20.00	from profit 1991
		970.00	from reserve fund
		990.00	total
31 December 1992	1,000.00		
		3,000.00	bonds of National Property Fund
		414.01	founder's contribution (tangible assets)
		585.99	from the bank's reserve fund
		4,000.00	total
31 December 1993	5,000.00		
		950.00	from profit 1993
30 June 1994	5,950.00		

Capital adequacy of KOB/ČKA

The amount of capital of ČKA as at 31 December 2002 amounted to CZK 24,447.9 million and Capital Adequacy Ratio was 28.9%. The structure of capital and capital adequacy of KOB/ČKA for the period 1997 through 2002 is given in the following survey.

CZK million	1997	1998	1999	2000	2001	2002
	own capital	own capital	own capital	Tier 1	Tier 1	Tier 1
Registered capital	5,950.0	5,950.0	5,950.0	5,950.0	5,950.0	5,950.0
Statutory reserve funds	31,477.3	31,430.5	31,383.3	31,378.8	29,314.1	26,001.1
Intangible assets	-130.0	-99.0	-70.2			
Loss of current period	-10,356.8	-14,389.1	0.0			
Other reserve funds				10,685.7	54,338.5	76,415.8
TOTAL	26,940.5	22,892.4	37,263.1	48,014.5	89,602.6	108,366.9
				Tier 2	Tier 2	Tier 2
Reserves for the coverage of general risks				1,392.5	1,415.4	1,055.3
TOTAL				1,392.5	1,415.4	1,055.3
Intangible assets				-133.8	-87.5	-40.9
Loss of current period				-	-	-79,433.5
				12,742.5	16,122.5	
Accumulated losses					41,526.4	
Capital investments in banks and financial investments				-5,500.0	-5,565.5	-5,500.0
CAPITAL				31,030.7	27,716.1	24,447.9
Capital Adequacy Ratio	30.2%	20.8%	38.5%	26.1%	24.3%	28.9%

Note: The methodology changed in 2000 in comparison with previous periods.

Information on the assets and financial position of the Issuer

The structure of the balance sheet, the results achieved and other indicators of the development of ČKA's profit/loss were influenced in the course of 2002 especially by the impact of operations carried out based on ČKA's role in the realization of the transfer of IPB assets from ČSOB in accordance with the Agreement and State Guarantee of 19 June 2000 and the Agreement on Restructuring Plan of 31 August 2001, and further by the impact of operations realized in connection with the implementation of Governmental restructuring programs EXIT and ROZVAHA and other operations secured by ČKA also in accordance with the relevant Government decisions.

Annual balance

The balance of ČKA was especially increased in the course of 2002 by the carried out transfer of low quality assets from commercial banks and the Czech Railways at the nominal value of almost CZK 106 billion.

As part of the above transactions, large volumes of especially loan receivables from ČSOB were transferred to the balance of ČKA for consideration, together with selected low quality assets from Česká spořitelna, a.s. and Komerční banka, a.s., receivables of the Czech Railways from debtors in bankruptcy and receivables of railway repair plants to the Czech Railways. At the same time after the approval by the founder and the Czech

Government the sale of large volume of loss and doubtful receivables (ČKA04) at a nominal value exceeding CZK 30.0 billion was realized, followed by the sale of large volume of ownership interests in the companies Zetor, a.s. and Walter a.s. Further, on a continuous basis, various individual assignments of a number of other loss receivables were realized for consideration, together with the settlement of receivables from clients in bankruptcy subsequent to the completed bankruptcy proceedings, and according to repayment schedules standard loans were repaid. Based on the auditor's recommendation, provisions were established for the coverage of future risk exposure pertaining to the assumption of the shares of offshore funds, and shares in limited partnerships and promissory notes at the aggregate value of CZK 29.5 billion. As a result of the above operations and subsequent creation or usage or release of the created specific provisions and mainly general provisions, the balance sum according to the Czech accounting standards grew in the year-on-year terms by CZK 3.7 billion and as at 31 December 2002 amounted to CZK 246.4 billion.

With respect to individual balance sheet items significant changes in the balance of assets and liabilities in net book value in comparison with the past year have been recognized in the case of the following items:

Assets

ČKA increased its due from banks as at the end of the current year by CZK 20.9 billion to CZK 53.3 billion, especially due to deals with temporarily available funds designed for the purchase of securities from ČSOB.

The gross book value of ČKA's due from clients due to the operations carried out in accordance with the decisions taken by the Czech Government increased by CZK 9 billion, however, as a result of the impact of the carried out addition to provisions, in comparison with the past year, the net book value of these loans dropped by almost CZK 38 billion and amounted to CZK 85.8 billion.

The net book value of debt securities, shares and other securities held for sale dropped in the year-on-year terms and as at the end of 2002 amounted to CZK 2.6 billion. This decrease was related to the sale and revaluation of part of the securities.

The balance of ownership interests after the performed addition of provisions was especially increased by the operations carried out in accordance with the relevant Government Resolutions to the net book value of almost CZK 5 billion. Significant changes in this portfolio were made in the course of the year by the assumption of ownership interests in the companies IPB Real, a.s., PVT, a.s., První česko-ruská banka s.r.o. and the capitalization of receivables into the registered capital of ČKD Praha Holding a.s. and Škoda TS. ČKA further sold its ownership interest in the companies Zetor a.s. and Walter a.s.

The decrease of the aggregate carrying value of tangible and intangible assets of ČKA at the end of the current year to CZK 1 billion, i.e. by CZK 0.8 billion, was especially caused by transfer and sale of intangible assets taken over from ČSOB for no consideration.

With respect to balances of other assets, among which ČKA's receivables from the Ministry of Finance and the National Property Fund prevail on account of unredeemed losses, there was an increase to CZK 98.6 billion in 2002, i.e. by CZK 22.6, especially by the increase in the balance of receivables from the state budget.

Liabilities

Due to banks amounted as at 31 December of the current year to CZK 118.9 billion and in comparison with the year 2001 were lower by CZK 9.1 billion, especially in connection with the securing of funds for the refinancing of the envisaged assumption of securities from ČSOB (non-voting shares of offshore funds and mutual shares).

ČKA's due to clients amounted to CZK 30.1 billion and were increased, in comparison with the year 2001, by CZK 1.4 billion; a significant portion is represented by deposits from the National Property Fund of the Czech Republic.

The volume of the issued securities grew to CZK 33.3 billion, especially by the issue of ČKA bonds in the amount of CZK 5 billion with a fixed interest rate at 5.05% p.a., which are due in 2007; and in the amount of CZK 10 billion, due in the year 2005 and interest-bearing at the floating interest rate.

The balance of the created provisions of the Agency was decreased as at the end of the current year by CZK 5.6 billion to CZK 38.4 billion on account of the balance of the usage of provisions established for the coverage of potential losses pertaining to the portfolio assumed in 2002 from ČSOB and Česká spořitelna, a.s. and due to the addition to provisions to cover future losses pertaining to the assumption of shares, shares in limited partnerships and promissory notes from ČSOB. These were especially the following operations:

ČKA released the provisions established by KOB and ČKA in 2001 for the coverage of potential losses pertaining to the assumed portfolio from ČSOB in connection with the transfer of these assets into ČKA in the course of the year 2002 and at the same time, replaced the general provisions released in this manner by specific provisions. Further, it used part of the provisions established in the years 2000 and 2001 for the portfolio of Česká spořitelna, a.s. as defined in the ring-fencing under the concluded Agreement on restructuring and guarantees, namely, in connection with the transfer of parts of these assets into ČKA carried out in July 2002 and replaced the released general provisions by specific provisions.

As at 31 December 2002, ČKA established provisions for the coverage of potential losses pertaining to the assumption of shares of offshore funds, shares in limited partnerships and promissory notes at the aggregate value of CZK 29.5 billion. In 2003 these provisions will be used in the course of the assumption of the above assets and the establishment of the appropriate level of specific provisions.

Other liabilities, represented mostly by liabilities from securities and the redemption of losses of subsidiaries amounted to CZK 2.5 billion and dropped after the realized redemptions of losses by CZK 6.7 billion.

The paid-up registered capital of ČKA has been CZK 5.9 billion since 1996 and its amount did not change in 2002, either.

The reserve funds of ČKA were used in 2002 after the approval by the Minister of Finance Ref. No. 10/23566/2002 of 6 March 2002 and Ref. No. 111/61446/2002 of 24 June 2002 for the redemption of the separated portion of the loss of KOB/ČKA for the year 2001 in the amount of CZK 3.3 billion and, after the above usage, their balance as at the end of the current year amounted to CZK 26 billion.

Other retained earnings and especially capital funds were increased as at 31 December 2002, in the form of advance payments to CZK 76.6 billion, and represent the anticipated redemptions of losses for the year 2002 under the concluded contracts from the National Property Fund and the state, represented by the Czech Ministry of Finance .

Net profit/loss

ČKA, in accordance with the Act No. 239/2001 Coll., transferred in accordance with the relevant Government Resolutions from commercial banks to its balance sheet low quality assets at the aggregate net book value of CZK 92 billion and covered the assumed risks of potential losses pertaining to low recoverability of these receivables by the establishment of specific provisions and general provisions. Consequently the Agency recognized as at 31 December the loss of CZK 79,4 billion, analyzed as follows:

The structure of the most important portion of the loss, i.e. the loss on financial activities, is especially represented by costs incurred in the settlement of receivables by their assignment, the costs of sales of ownership interests and costs of write-off of outstanding receivables after the completed bankruptcy proceedings. These costs, however, have been by a considerable extent offset by the release of specific provisions into revenues.

Additional losses have arisen from the balance of the creation and usage of general provisions and specific provisions, with the prevailing impact of costs incurred in the creation of specific provisions established for the coverage of risks connected with the assets taken over from ČSOB, and the impact of the creation of provisions for receivables assumed from Česká spořitelna, a.s., or the impact of the necessity to decrease the rating of some collateral or the classification of loans. An important cost of the year 2002 was also the creation of provisions for the assumption of shares of stock, shares and promissory notes from ČSOB, which is anticipated in 2003. Revenues were generated especially by the release of the above adjustment measures after the carried out settlement of receivables and ownership interest by sale, after the carried out settlement of receivables by the write-off or after the release of provisions established for the coverage of future risks arising from the assumption of receivables from Česká spořitelna, a.s. and from ČSOB.

General operating expenses in the amount of CZK 2,2 billion, including the costs of transfer of real property from ČSOB, were no exception to the standard development of such costs in other institutions and in the profit and loss account of ČKA were sufficiently offset by the interest rate margin which amounted to a profit of CZK 2.2 billion.

The total loss of CZK 79.4 billion will be, to the extent of CZK 3.0 billion, settled from the special purpose reserve fund of ČKA, designed for the coverage of costs and losses pertaining to receivables that have been written off or otherwise settled in 2002. The remaining losses to the extent of CZK 76.3 billion of ČKA incurred in other activities will be settled in accordance with the decision of the Supervisory Board of ČKA in accordance with the relevant provisions of the Act on Česká konsolidační agentura from the funds of the Ministry of Finance. The rest valued at CZK 0.1 billion will be settled by the National Property Fund in accordance with the relevant contracts on the payment of costs and losses.

The credibility of ČKA, secured under the conditions of the loss-making operations based on the system of continuous redemptions of the sustained losses from the state budget funds and further by the significant volume of the Agency's own reserve fund, the received contractual guarantees of the National Property Fund of the Czech Republic and other state guarantees, was in 2002 considerably supported by the achieved volume of collection from the repayment of loans, interest payments and other income, at an aggregate annual value exceeding CZK 20 billion.

REPORT OF THE SUPERVISORY BOARD OF ČESKÁ KONSOLIDAČNÍ AGENTURA FOR THE YEAR 2002

The Supervisory Board performed its tasks in 2002 in accordance with Act No. 239/2001 Coll. on Česká konsolidační agentura and the Articles of Association of Česká konsolidační agentura, and adhered to valid internal regulations of Česká konsolidační agentura. In the course of the year 2002 the Supervisory Board was completed to the full number of members prescribed by law: On 9 October 2002 Libor Ježek was dismissed by the Chamber of Deputies of the Parliament of the Czech Republic and on 22 October 2002 Alfréd Michalík and Pavel Pešek were elected members of the Supervisory Board of ČKA.

With regard to crucial changes prompted by the transformation of Konsolidační banka to Česká konsolidační agentura under Act No. 239/2001 Coll., the Supervisory Board had already asked at the end of 2001 for the performance of the forensic audit, which would fairly reflect the status of ČKA as at the transformation date. The findings of this review contributed considerably to the rationalization of the Supervisory Board's activities and also became an important piece of groundwork for the discussion on the determination of strategic goals and tasks of ČKA for the future. The experience relating to the review of procedure in the sale of the pilot block of receivables in 2001 also contributed greatly to the success of probably the most important one-off project of Česká konsolidační agentura in 2002, the smooth sale of the block of receivables ČKA 04.

In the course of the year 2002, the Supervisory Board held 39 meetings, discussed 621 issues on its agenda and adopted 342 resolutions. The Chairman or the Vice-Chairman of the Supervisory Board also took part in the Board meetings, if this was deemed necessary, with the aim of achieving the maximum possible consensus and the highest possible degree of efficiency in the Agency's activities. The conclusion that this approach was successful was also proved by the fact that despite different political attitudes and regional interests of members of the Supervisory Board, the Supervisory Board usually adopted its resolutions unanimously or by vast majority, in very close accordance with proposals submitted by the Board of Directors.

The Supervisory Board, under the law, discusses all financial and asset operations of the Agency that exceed CZK 500 million. These operations were not numerous, but mostly represented the solution of extraordinarily difficult problems, not only with regard to the volume of the funds expended, but also with regard to the fact that possible solutions have not only an economic, but also social dimension and are therefore closely watched by the media and the public. In connection to this let me briefly name the most important cases resolved in 2002: Škoda Holding, Zetor, Vítkovice, Nová Huť, Z - Group etc.

The Supervisory Board played an active role in the preparation of the system for the solution of problems inherited from the past. Such problems especially include the issue of receivables from loans for high turnover inventories and an attempt at a solution of municipality problems, which ended in the debt trap. The discussed and approved proposals were submitted to the Ministry of Finance to be discussed by the Government.

A standard subject of the work of the Supervisory Board was to discuss the operating budget and the plan of investments of ČKA, monthly operative information on the status of ČKA's management of business operations, the result of operations of its subsidiaries and the monitoring of the development of liquidity, including the discussion of optional solutions. The Supervisory Board discussed the Annual Report for the year 2001 and the Consolidated Financial Statements for the accounting period from 1 September 2001 to 31 December 2001 and recommended it to the Minister of Finance of the Czech Republic for final approval.

The Supervisory Board also co-operated with the Internal Audit Department, as part of the planned controls, especially in the review of external complaints. Individual control tasks assigned by the Supervisory Board to the Internal Audit Department were fulfilled in accordance with the provisions of the Act on ČKA, statutory and other internal standards of the Agency.

A handwritten signature in black ink, appearing to read 'V. Tlustý', written in a cursive style.

Vlastimil Tlustý
Chairman of the Supervisory Board of ČKA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

REPORT OF INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF ČESKÁ KONSOLIDAČNÍ AGENTURA

We have audited the accompanying balance sheet of Česká konsolidační agentura as at 31 December 2002 (hereinafter referred to as "the Agency"), the related statements of income and changes in equity and notes for the year then ended ("the financial statements"). The financial statements and underlying accounting records are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

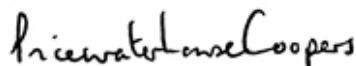
The accompanying financial statements are not intended to present the assets, liabilities, equity and the results of its operations and its changes in equity in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Czech Republic. Accordingly the accompanying balance sheet, the related statements of income and changes in equity and notes are not designed for those who are not informed about Czech accounting principles, procedures and practices.

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

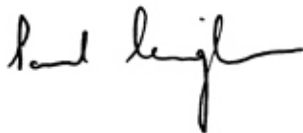
In our opinion the accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Agency as at 31 December 2002, and the results of its operations and its changes in equity for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

Without qualifying our opinion, we draw attention to Note 19 to the financial statements, which explains that the Konsolidační banka Praha, s. p. ú, the Agency's legal predecessor, has received an official interpretation of the relevant accounting legislation by the Ministry of Finance (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Agency. In accordance with this interpretation, the Agency has set aside within the statutory reserve fund, which forms part of the equity of the Agency, an amount of CZK 21.4 billion to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses.

25 March 2003



PricewaterhouseCoopers Audit, s.r.o.
represented by



Paul Cunningham
Partner



Ing. Helena Vojáčková
Auditor, Licence No. 1910

BALANCE SHEET AS AT 31 DECEMBER 2002

Assets

	31 December 2002			31 December 2001	1 September 2001
	Gross amount	Provision	Net amount	Net amount	Net amount
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
1 Cash and deposits with central banks	10,852	-	10,852	12,986	7,954
2 State treasury bills and other bills eligible for refinancing with the ČNB	-	-	-	-	-
a) state securities	-	-	-	-	-
b) other	-	-	-	-	-
3 Due from banks	53,737,290	405,641	53,331,649	32,373,120	14,974,123
a) repayable on demand	63,211	-	63,211	81,349	78,796
b) other receivables	53,674,079	405,641	53,268,438	32,291,771	14,895,327
4 Due from customers	205,641,987	119,833,806	85,808,181	123,771,273	121,760,412
a) repayable on demand	26,078	-	26,078	50,018	3,899
b) other receivables	205,615,909	119,833,806	85,782,103	123,721,255	121,756,513
5 Debt securities	1,101,703	-	1,101,703	3,105,996	581,395
a) issued by government institutions	-	-	-	-	-
b) issued by other entities	1,101,703	-	1,101,703	3,105,996	581,395
6 Shares, mutual shares and other interests	1,542,161	-	1,542,161	1,705,954	228,527
7 Participation interests with substantial influence	11,844,478	7,433,377	4,411,101	3,887,761	5,170,487
a) in banks	-	-	-	-	-
b) in other entities	11,844,478	7,433,377	4,411,101	3,887,761	5,170,487
8 Participation interests with controlling influence	1,503,304	940,798	562,506	100	100
a) in banks	-	-	-	-	-
b) in other entities	1,503,304	940,798	562,506	100	100
9 Intangible fixed assets	275,301	234,444	40,857	88,800	97,297
of which:					
a) establishment costs	-	-	-	-	-
b) goodwill	-	-	-	-	-
c) other	275,301	234,444	40,857	88,800	97,297
10 Tangible fixed assets	1,321,792	386,427	935,365	1,723,010	682,628
a) land and buildings for operating activities	718,657	152,340	566,317	589,074	594,636
b) other	603,135	234,087	369,048	1,133,936	87,992
11 Other assets	98,636,482	-	98,636,482	76,039,822	81,861,591

12 Receivables from shareholders	-	-	-	-	-
13 Prepayments and accrued income	6,061	-	6,061	7,870	1,620,612
Total assets	375,621,411	129,234,493	246,386,918	242,716,692	226,985,126

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
25 March 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

BALANCE SHEET AS AT 31 DECEMBER 2002

Liabilities

	31 December	31 December	1 September
	2002	2001	2001
	Net amount	Net amount	Net amount
	CZK'000	CZK'000	CZK'000
1 Due to banks	112,738,845	114,256,087	121,260,238
a) repayable on demand	-	-	-
b) other payables	112,738,845	114,256,087	121,260,238
2 Due to customers	30,313,999	29,320,015	9,168,308
a) repayable on demand	25,316,358	2,198,539	1,244,542
of which: saving accounts	-	-	-
b) other payables	4,997,641	27,121,476	7,923,766
of which:			
ba) saving accounts repayable on demand	-	-	-
bb) saving accounts at notice	-	-	-
bc) term accounts repayable on demand	4,747,739	27,025,010	1,254,382
bd) term accounts at notice	-	-	-
3 Liabilities from debt securities	33,311,464	13,863,331	12,827,592
a) issued debt securities	33,311,464	13,863,331	12,827,592
b) other liabilities from debt securities	-	-	-
4 Other liabilities	2,487,382	9,219,235	7,112,374
5 Accruals and deferred income	104,792	26,984	2,881,092
6 Provisions	38,383,001	43,959,732	41,455,450
a) provisions for pensions and similar liabilities	-	-	-
b) provisions for taxes	-	-	-
c) other provisions	38,383,001	43,959,732	41,455,450
7 Subordinated liabilities	-	-	-
8 Share capital	5,950,000	5,950,000	5,950,000
of which: share capital paid up	5,950,000	5,950,000	5,950,000
9 Own shares	-	-	-
10 Share premium	-	-	-
11 Reserve funds and other funds from profit	26,004,205	29,320,729	29,325,148
a) statutory reserve funds	26,001,075	29,314,123	29,319,560
b) reserve fund for own shares	-	-	-
c) other reserve funds	-	-	-
d) other funds from profit	3,130	6,606	5,588
of which: risk fund	-	-	-
12 Reserve fund for new valuation	-	-	-
13 Capital funds	76,526,750	54,449,408	38,531,287

14 Revaluation reserve	-	-	-
a) revaluation differences on assets and liabilities	-	-	-
b) revaluation differences on hedging derivatives	-	-	-
c) revaluation differences on participations	-	-	-
15 Retained earnings or accumulated losses from previous periods	-	(41,526,363)	-
16 Profit or loss for the accounting period	(79,433,520)	(16,122,466)	(41,526,363)
Total liabilities	246,386,918	242,716,692	226,985,126

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
25 March 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

OFF-BALANCE SHEET AS AT 31 DECEMBER 2002

Assets

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
1 Commitments and guarantees given	10,994,586	39,342,894	39,091,232
a) commitments	552,212	5,295,002	6,912,718
b) guarantees and collaterals	10,354,887	34,047,892	32,178,514
c) guarantees from bills of exchange	87,487	-	-
d) guarantees from letters of credit	-	-	-
2 Collaterals given	-	-	-
a) real estate pledges	-	-	-
b) cash pledges	-	-	-
c) securities pledges	-	-	-
d) other	-	-	-
3 Receivables from spot transactions	345,606	42,920	5,746
a) interest instruments	-	-	-
b) currency instruments	345,606	42,920	5,746
c) equity instruments	-	-	-
d) commodity instruments	-	-	-
4 Receivables from term instruments	2,035,288	780,760	-
a) interest instruments	-	-	-
b) currency instruments	2,035,288	75,760	-
c) equity instruments	-	705,000	-
d) commodity instruments	-	-	-
e) debt instruments	-	-	-
5 Receivables from option instruments	464,159	-	718,020
a) interest instruments	-	-	-
b) currency instruments	-	-	-
c) equity instruments	464,159	-	718,020
d) commodity instruments	-	-	-
e) debt instruments	-	-	-
6 Receivables written-off	9,380,421	4,228,322	3,932,993
7 Assets in custody	3,670,052	1,816,962	1,007,972
of which: securities	3,670,052	1,816,962	1,007,972
8 Assets managed by third party	-	-	-
of which: securities	-	-	-
Total off-balance sheet assets	26,890,112	46,211,858	44,755,963

Liabilities:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
1 Commitments and guarantees received	148,584,602	151,775,986	130,660,161
a) commitments	132,881,495	133,786,330	110,823,460
b) guarantees and collaterals	15,700,309	17,873,242	19,609,741
c) guarantees from bills of exchange	2,798	116,414	226,960
d) guarantees from letters of credit	-	-	-
2 Collaterals received	54,656,097	14,167,270	13,443,077
a) real estate pledges	13,140,083	11,639,221	10,187,309
b) cash pledges	6,900	124,765	124,015
c) securities pledges	143,631	331,278	364,619
d) other	196,983	2,072,006	2,767,134
e) collaterals - securities	41,168,500	-	-
3 Payables from spot transactions	345,557	42,859	5,751
a) interest instruments	-	-	-
b) currency instruments	345,557	42,859	5,751
c) equity instruments	-	-	-
d) commodity instruments	-	-	-
4 Payables from term instruments	2,035,780	777,518	-
a) interest instruments	-	-	-
b) currency instruments	2,035,780	72,518	-
c) equity instruments	-	705,000	-
d) commodity instruments	-	-	-
e) debt instruments	-	-	-
5 Payables from option instruments	464,159	51	1,148,161
a) interest instruments	-	-	-
b) currency instruments	-	-	-
c) equity instruments	464,159	51	1,148,161
d) commodity instruments	-	-	-
e) debt instruments	-	-	-
6 Assets under custody	1,320,288	1,219,434	1,006,985
of which: securities	-	340	-
7 Assets under management	-	-	-
of which: securities	-	-	-
Total off-balance sheet liabilities	207,406,483	167,983,118	146,264,135

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
25 March 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
1 Interest receivable and similar income	11,287,421	3,195,654
of which: interest income from debt securities	321,646	35,972
2 Interest payable and similar expense	(9,081,203)	(3,018,358)
of which: interest expense on debt securities	(1,681,437)	(371,793)
3 Income from shares and other interests	37,044	-
of which:		
a) income from participating interests	34,820	-
b) income from interests in subsidiary undertakings	-	-
c) income from other shares and interests	2,224	-
4 Fee and commission income	151,884	14,899
5 Fee and commission expense	(78,511)	(5,064)
6 Gains less losses from financial transactions	(951,885)	(703,830)
7 Other operating income	472,396	33,552
8 Other operating expense	(7,527,603)	(2,385,572)
9 Administrative expense	(903,618)	(238,624)
of which:		
a) staff costs	(417,851)	(126,755)
aa) wages and salaries	(304,546)	(90,337)
ab) social and health insurance	(113,305)	(36,418)
b) other administrative expenses	(485,767)	(111,869)
10 Utilization of provisions for tangible and intangible fixed assets	-	-
a) utilization of specific provisions for tangible fixed assets	-	-
b) utilization of other provisions for tangible fixed assets	-	-
c) utilization of specific provision for intangible fixed assets	-	-
11 Depreciation, additions to provisions for tangible and intangible fixed assets	(125,150)	(36,254)
a) depreciation of tangible fixed assets	(66,858)	(16,271)
b) additions to specific provisions for tangible fixed assets	-	-
c) additions to other provisions for tangible fixed assets	-	-
d) amortization of intangible fixed assets	(58,292)	(19,983)
e) additions to specific provision for intangible fixed assets	-	-
12 Utilization of provisions for loans and guarantees, income from ceded receivables and income from receivables already written-off	76,688,074	9,976,494
a) utilization of specific provisions for loans and guarantees	36,140,094	-
b) utilization of other provisions for loans and guarantees	38,336,353	9,884,341
c) gains from ceded receivables and income from receivables already written-off	2,211,627	92,153

13 Write-offs, additions to provisions for loans and guarantees	(119,747,448)	(22,475,171)
a) additions to other provision for loans and guarantees	(85,977,730)	(20,051,763)
b) additions to specific provisions for guarantees	(1,173,000)	(1,602,000)
c) write-off of loans and payments from guarantees, loses from ceded receivables	(32,596,718)	(821,408)
14 Utilization of provisions for participating interests with significant and controlling influence	5,504,594	648,400
15 Additions to provisions for participating interests with significant and controlling influence	(6,021,720)	(34,961)
16 Utilization of other specific provisions	109,638	16,301,718
17 Additions to other specific provisions	(29,500,000)	(17,204,000)
18 Utilization of other provisions	-	-
19 Additions to other provisions	-	-
20 Loss on ordinary activities before taxation	(79,686,087)	(15,931,117)
21 Extraordinary income	2,113,119	5,163
22 Extraordinary expenses	(1,860,552)	(196,512)
23 Profit or loss on extraordinary activities before taxation	252,567	(191,349)
24 Income tax	-	-
25 Share on profits and losses of subsidiary and associated undertakings	-	-
26 Loss for the year after taxation	(79,433,520)	(16,122,466)

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
25 March 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31
DECEMBER 2002**

	Share capital	Reserve funds and other funds from profit	Capital funds	Accumulated losses	Loss for the accounting period	Total equity
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
At 1 September 2001	5,950,000	29,325,148	38,531,287	-	(41,526,363)	32,280,072
Transfer of the loss of the period 1 January - 31 August 2001 to accumulated losses	-	-	-	(41,526,363)	41,526,363	-
Reserve fund allocation - transfer to the social fund for the period 1 January - 31 December 2001	-	(3,670)	-	-	-	(3,670)
No consideration acquisition of securities	-	-	60	-	-	60
Drawings from Welfare fund	-	(749)	-	-	-	(749)
Loss for the period from 1 September to 31 December 2001	-	-	-	-	(16,122,466)	(16,122,466)
The claim for payments to cover loss of the period 1 September - 31 December 2001 - NPF, State	-	-	15,918,061	-	-	15,918,061
At 31 December 2001	5,950,000	29,320,729	54,449,408	(41,526,363)	(16,122,466)	32,071,308
Transfer of the loss of the period 1 September - 31 December 2001 to accumulated losses	-	-	-	(16,122,466)	16,122,466	-
Covering 2001 loss from the Capital fund	-	-	(54,335,782)	54,335,782	-	-
Covering 2001 loss from the Reserve fund	-	(3,313,047)	-	3,313,047	-	-
No consideration acquisition of securities	-	-	648	-	-	648
Drawings from Welfare fund	-	(3,477)	-	-	-	(3,477)
Loss for the year 2002	-	-	-	-	(79,433,520)	(79,433,520)
The claim for payments to cover 2002 loss - NPF, State	-	-	76,412,476	-	-	76,412,476
At 31 December 2002	5,950,000	26,004,205	76,526,750	-	(79,433,520)	29,047,435

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
25 March 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

SUPPLEMENT TO FINANCIAL STATEMENT

1 General information

Česká konsolidační agentura (hereinafter “the Agency” or “ČKA”) was incorporated on 1 September 2001 in accordance with the Act No. 239/2001 on Česká konsolidační agentura as the legal successor of Konsolidační banka Praha, a State financial institution (hereinafter “the Bank”).

The registered office of the Agency is Janovského 2, Prague 7.

The Agency administers receivables assumed and repurchased from commercial banks. Other core activities of the Agency include Revitalising and Restructuring Programs, the financing and support of large Czech companies' important development projects, plus long term social projects and transportation, telecommunication, water and environmental infrastructure projects.

The Agency retains most of the scope of the original activities of the Bank, however, it does not retain the status of a bank. The Ministry of Finance of the Czech Republic (hereinafter “MF ČR”) has already issued an obligatory representation that liabilities of the Agency will be fully guaranteed by the State.

Relating to the transformation of the Bank, new members of statutory bodies were appointed with effect from 1 September 2001.

Members of the Board of Directors and the Supervisory Board

Members of the Board of Directors of the Agency as at 31 December 2002 and 2001:

Name	Appointed	Position
Pavel Řežábek	1 September 2001	Chairman and General Director
Jan Liška	5 September 2001	Member and Head of department
Zlata Gröningerová	1 September 2001	Member and Head of department
Libor Svoboda	1 September 2001	Member and Head of department
Jiří Jurán	5 September 2001	Member and Head of department - from 1 October 2001

Members of the Supervisory Board of the Agency as at 31 December 2002 and 2001:

Name	Appointed	Position
Vlastimil Tlustý	1 September 2001	Chairman
Josef Hojdar	1 September 2001	Vice-Chairman
Vladimír Doležal	1 September 2001	Member
Milan Urban	1 September 2001	Member
Libor Ježek	1 September 2001 till 9 October 2002	Member
Miloslav Vlček	1 September 2001	Member
Michal Doktor	1 September 2001	Member
Pavel Tollner	31 October 2001	Member
Pavel Pešek	22 October 2002	Member
Alfred Michalík	22 October 2002	Member

2 Accounting policies

(a) Basis of preparation

The financial statements, comprising a balance sheet, statements of income and of changes in equity and accompanying notes, are prepared in accordance with the Act on accounting and the applicable accounting rules set by MF ČR. The Agency is not a bank in accordance with the Banking Act and is therefore not regulated by Česká národní banka ("ČNB"). The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments held for trading and available-for-sale to fair values.

The financial statements are rounded to thousands of Czech Crowns ("CZK'000") unless otherwise stated and are not consolidated.

(b) Foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by ČNB effective at the balance sheet date. All resulting foreign exchange gains and losses are recognised in gains less losses from financial transactions.

(c) Fair value of securities

The fair value of a security is determined as the market value quoted by a relevant stock exchange or other active public market. In other cases the fair value is estimated by:

- the share on the investee's equity for equities;
- the risk adjusted net present value for debt securities and notes.

(d) Trading securities

Trading securities were either acquired for generating profit from short-term fluctuations in price or dealer's margin, or included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost, which includes expenses incurred in connection with their acquisition, and they are subsequently measured at fair value. All related gains and losses are included in gains less losses from financial transactions. Spot purchases and sales are recognised on a settlement date basis. Forward trades are treated as derivatives. Interest earned on trading securities is reported as interest income on securities.

(e) Available-for-sale investment securities

Available-for-sale investment securities are neither trading securities nor securities held-to-maturity. They comprise mainly shares in companies other than in subsidiaries and associates and debt securities held for liquidity management. Available-for-sale securities are measured in the same way as trading securities.

(f) Investment securities held-to-maturity

Investment securities held-to-maturity are securities with fixed maturity where the Agency has both the intent and the ability to hold them to maturity.

They are measured at amortised cost.

(g) Transfers between portfolios

Transfers between portfolios are generally allowed if management intentions are changed, except as follows:

- trading securities cannot be transferred;
- on sale or transfer of any securities held-to-maturity, the Agency must transfer the rest of the portfolio of securities held-to-maturity to available-for-sale securities and no securities can be classified as held-to-maturity within the two following accounting periods. Exceptions to this rule are allowed within the last three months before maturity or in the case of a significant deterioration in an issuer's creditworthiness.

(h) Investments in subsidiary and associated undertakings

A subsidiary is an enterprise that is controlled by the Agency, which means that the Agency has the power to govern the financial and operating policies so as to obtain benefits from its activities.

An associated undertaking is an enterprise where the Agency has significant influence, which is the power to participate in, but not to control, the financial and operating policy decisions.

Investments in subsidiary and associated undertakings are measured at the lower of cost and "at equity" value on a individual basis.

(i) Securities financing arrangements

Securities borrowed or purchased under agreements to resell (resale or reverse repo agreements) are not recognised on the balance sheet. Securities lent or sold under agreements to repurchase (repo agreements) are retained in their original portfolio. The underlying cashflows are recorded as loans and borrowings respectively on a settlement date basis.

(j) Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised on balance sheet at cost and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models as appropriate. All derivatives are presented in other assets or in other liabilities when their fair value is positive or negative respectively.

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.

Changes in the fair value of derivatives held for trading are included in Gains less losses from financial transactions.

(k) Interest income and expense

Interest income and expense are recognised for all interest bearing instruments on an accrual basis using the effective yield method based on the acquisition cost. Interest income includes accrued coupons, discount and premium on all fixed income instruments.

Income on non performing loans is also accrued and capitalised into the related loan balance. Such amounts are considered in estimating the provision for non-performing loans.

(l) Penalty interest

Penalty interest income is suspended or forgiven and excluded from interest income until received.

(m) Fee and commission income

Fixed fee income for arrangement of loans, guarantees and other activities is recognised immediately, whereas commission is accrued over the period to maturity.

(n) Provisions and allowances

Specific provisions are recognised when the Agency has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. In addition, general provisions for banking risk recorded prior to 1 January 2002 are recognised in the balance sheet, however, these must be utilised or written back to income by 31 December 2005. All provisions are presented in liabilities.

Allowances are deducted from the cost of each impaired asset. The amount of allowance for impaired loans and other assets is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral. The market in the Czech Republic for many types of collateral is at an early stage of development and there is a low level of liquidity for certain types of assets. As a result, the realisable value on foreclosure may differ from the value ascribed in estimating allowances.

As the Agency does not need to follow ČNB rules, real estate collateral can be considered in estimating the amount of required specific allowances, even for receivables overdue more than one year. When creating specific allowances for loans for working capital finance (hereinafter “the old block of loans”), the partial coverage provided by the special-purpose reserve fund and general provisions is taken into consideration (note 19).

Under the Act on Česká konsolidační agentura the Board of Directors of the Agency has to realise certain operations according to strategic Government decisions, which would not necessarily be realised under normal commercial conditions for prudent business activities, for example in providing forms of State assistance. In these cases specific provisions or allowances are established in the same way when the above criteria are met. Assistance from the State in relation to these operations is recorded when it is virtually certain that economic benefits will flow to the Agency and the amount of assistance can be measured reliably.

(o) Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at cost. Fixed assets are depreciated/amortised by applying the straight-line basis over the estimated useful lives resulting in the following annual rates:

Buildings and constructions	30	years
Machinery and equipment	4	years
Furniture and fittings	6	years
Motor vehicles	4	years
Software	4	years

Repair and maintenance expenditures are charged to expense as incurred. Expenditures enhancing the value of the asset are capitalised and depreciated.

(p) Value added tax

The Agency is registered for value added tax ("VAT"). Fixed tangible assets and intangible assets are stated at cost excluding appropriate VAT. The Agency does not raise claims for input VAT, since the ratio of income subject to VAT is lower than 5% of the total income of the Agency. Input VAT incurred is expensed immediately.

(q) Taxation

The Agency's income is exempted from corporate income tax and therefore, deferred tax and current tax payable are not accounted for.

(r) Pensions and other social expenses

The Agency's pension plans are voluntary and the Agency makes defined contributions to them in addition to statutory social security paid in accordance with the Act on Social Insurance. Contributions are charged directly to expenses.

Other social expenses are settled from the Welfare fund ("WF"), disclosed as Other funds. Social fund contributions are not charged to the income statement in accordance with Czech accounting rules and are presented within equity.

(s) Related parties

Related parties are defined as follows:

- Members of the boards, management of the Agency and their relatives;
- Companies, in which members of the boards and management of the Agency hold more than a 10% stake;
- Subsidiaries and associated companies.

Significant transactions, balances and methods for the measurement of related party transactions are set out in notes 5 and 14.

(t) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of signing the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date prior to signing of the financial statements, which are indicative of conditions, which arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

(u) Extraordinary items and changes in accounting policy

Extraordinary items include one-off effects of events outside the scope of the Agency's activities and effects of changes in accounting policies.

Changes in accounting policies have been adopted by the Agency prospectively, therefore comparative financial information has not been restated. The changes in accounting policies affected the income statement for the year 2002 and 2001 as follows:

	2002	2001
Effects of changes in accounting policies included in extraordinary items:		
Release of allowances against securities	1,860,552	-
Remeasurement of securities at fair value (Note 2(u) ii)	(2,113,119)	-

There have been changes in accounting policies since 1 January 2002 as follows:

1. Transaction costs (e.g. commissions and fees of brokers, advisors or stock exchanges) are included in cost of purchased securities. No restatement has been made for the cost of securities as at 31 December 2001 (which excluded such costs) therefore the change had no retrospective impact on the income statement or equity. The increase of acquisition costs during the year was not material and was largely offset on remeasurement.
2. Trading securities and available-for-sale investment securities were remeasured at fair value. Any resulting difference is presented as extraordinary income or expense.
3. Own bonds are deducted from issued debt securities. The difference between cost and nominal value including accrued interest is amortised into gains less losses from financial transactions. Accrued interest is amortised in interest expense on debt securities.

3 Cash and deposits with central banks

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Cash on hand	10,852	8,392	7,938
Current accounts with central banks	-	4,594	16
	10,852	12,986	7,954

4 Due from banks

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Current accounts with banks	63,211	81,349	78,796
Term deposits with banks and central banks	6,577,312	24,690,832	9,395,327
Standard loans to banks	5,500,000	5,500,000	5,500,000
Receivables from REPO transactions	41,191,126	2,100,707	-
Other due from banks	405,641	232	-
Allowance for impairment (Note 12)	(405,641)	-	-
	53,331,649	32,373,120	14,974,123

5 Due from customers

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Standard loans to companies and individuals	23,202,096	28,691,498	29,162,627
Impaired loans to companies and individuals	168,103,384	131,391,919	114,862,576
Standard loans to housing co-operatives ¹⁾	10,423,460	11,500,693	11,978,846
Impaired loans to housing co-operatives ¹⁾	2,740	2,719	2,791
Standard loans to governmental entities	3,624,171	24,379,361	28,017,018
Impaired loans to governmental entities	18,481	94,816	92,881
Standard loans to municipalities	2,774	5,747	-
Impaired loans to municipalities	264,876	341,770	336,527
Other due from clients	5	43,579	13
	205,641,987	196,452,102	184,453,279
Allowance for impaired loans (Note 12) ²⁾	(119,833,806)	(72,680,829)	(62,692,867)
	85,808,181	123,771,273	121,760,412

¹⁾ In its portfolio the Agency has loans granted to housing co-operatives. These loans were acquired from Investiční a Poštovní banka, a.s. (hereinafter "IPB"). The difference between the funding cost and interest income is compensated by MF ČR.

²⁾ In addition to the specific allowances for impaired loans the Agency has reflected a general provision for loans of CZK 5,593,304,000 as at 31 December 2002 (31 December 2001: CZK 10,039,293,000 and 1 September 2001: CZK 6,270,293,000) in liabilities as required by Czech accounting regulations (note 12).

A statutory reserve fund is used to cover expected losses of CZK 21,395,462,000 (31 December 2001: CZK 24,416,505,000 and 1 September 2001: CZK 24,620,910,000) from the old block of loans. In the period from 1 January to 31 December 2002 the losses of CZK 3,021,043,000 from assigned and written off the old block of loans were covered by the reserve fund (in the period from 1 September to 31 December 2001: CZK 204,405,000) (note 19).

The Agency took over loans from Československá obchodní banka, a.s. (hereinafter "ČSOB") in the period from 1 January to 31 December 2002 of CZK 80,350,000,000 in accordance with the Agreement with ČSOB (see note 20) and other agreements. The Agency created allowances of CZK 65,927,500,000 against these.

In connection with the creation of these allowances the Agency released specific provisions totalling CZK 28,258,000,000 that were created for the purpose of covering the risk of loss from the portfolio taken over in 2001 (i.e. a net increase in 2002 of CZK 37,669,500,000).

(a) Quality of loan portfolio

Loans are categorised in accordance with the definitions issued by the ČNB into five categories (standard, watch, substandard, doubtful, loss). Impaired loans include substandard, doubtful and loss loans and represent total outstanding principal and accrued interest receivable with service payments overdue more than 90 days or other defaults in contractual terms or financial performance.

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Standard	37,252,506	64,620,878	69,158,504
Watch	1,702,742	563,789	319,868
Substandard	4,878,719	1,541,739	3,241,719
Doubtful	8,686,389	14,684,959	15,621,228
Loss	153,121,631	115,040,737	96,111,960
	205,641,987	196,452,102	184,453,279

The forced sale value ascribed to assets received as collateral for loans to customers can be analysed as follows:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Cash	6,900	124,765	124,015
Securities	41,312,131	331,278	364,619
of which: under reverse repo	41,168,500	-	-
Land and buildings	13,140,083	11,639,221	10,187,309
Other fixed assets	196,983	2,072,006	2,767,134
	54,656,097	14,167,270	13,443,077

(b) Loans to related parties

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Subsidiary undertakings:			
Loans to subsidiaries	23,165,879	37,756,599	37,004,404
Allowances for impaired loans (Note 12)	(63,355)	(2,328,623)	-
Total	23,102,524	35,427,976	37,004,404
Associated undertakings:			
Loans to associated parties	9,355,318	4,923,954	8,472,669
Allowances for impaired loans (Note 12)	(7,731,409)	(1,133,104)	(3,207,013)
Total	1,623,909	3,790,850	5,265,656
Other related parties:			
Board of Directors	-	250	274
Supervisory Board	-	-	-
Management	270	330	940
Total loans to other related parties	270	580	1,214

All loans to related parties were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers. Based on certain Government decisions loans were also granted to selected companies in order to improve their financial position.

Loans to subsidiaries have been provided based on an assessment of the suitable loan structure of the ČKA Group. The interest rate on loans provided was on an arm's length basis. All risks associated with the loans provided to subsidiaries are covered by the NPF guarantee (note 20).

6 Syndicate loans

At 31 December 2002, 31 December 2001 and 1 September 2001 the Agency led no syndicated loans.

7 Securities

	Bonds and similar debt securities			Shares and similar equity securities		
	at 31 December		at 1 September	at 31 December		at 1 September
	2002	2001	2001	2002	2001	2001
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Trading	-	2,710,741	581,395	-	-	-
Available-for-sale	1,101,703	395,255	-	1,542,161	1,705,954	228,527
	1,101,703	3,105,996	581,395	1,542,161	1,705,954	228,527

(a) Trading securities

Bonds and similar debt securities

The Agency had no bonds and similar debt securities in the trading portfolio as at 31 December 2002.

At 31 December 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	619,359	2,764,487
Free market of recognised stock exchanges	2,747,993	-
Accrued interest on bonds	416,647	-
	3,783,999	2,764,487
Allowances for unrealised losses (Note 12)	(1,073,258)	
	2,710,741	

At 1 September 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	1,121,942	719,805
Free market of recognised stock exchanges	145,410	-
Accrued interest on bonds	346,117	-
	1,613,469	719,805
Allowances for unrealised losses (Note 12)	(1,032,074)	
	581,395	

Net cost represents acquisition cost excluding any recognised transaction costs.

Bonds and other securities with fixed income in the trading portfolio as at 31 December 2001 include CZK 611 million of securities bearing fixed interest till maturity which represents 22.5% of the total balance (as at 1 September 2001: CZK 581 million which represents 100% of the total balance). The Agency had no bonds and similar debt securities in its trading portfolio as at 31 December 2002.

The Agency had no securities issued by subsidiaries and associated companies in its trading portfolio as at 31 December 2002, at 31 December 2001 and at 1 September 2001.

(b) Securities available-for-sale

Shares and similar equity securities

At 31 December 2002

	Fair value	
	CZK'000	
Main or auxiliary market of recognised stock exchanges		94,789
Free market of recognised stock exchanges		137,943
Unquoted		1,309,429
		1,542,161

At 31 December 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	593,803	473,748
Free market of recognised stock exchanges	54,605	51,262
Unquoted	1,259,263	1,191,653
	1,907,671	1,716,663
Allowances for unrealised losses (Note 12)	(201,717)	
	1,705,954	

At 1 September 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	65,820	65,820
Unquoted	206,729	162,707
	272,549	228,527
Allowances for unrealised losses (Note 12)	(44,022)	
	228,527	

Bonds and similar debt securities

At 31 December 2002

	Fair value	
	CZK'000	
Free market of recognised stock exchanges		1,003,745
Unquoted		97,958
		1,101,703

At 31 December 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	394,533	392,264
Free market of recognised stock exchanges	46,758	5,493
Unquoted	537,451	-
	978,742	397,757
Allowances for unrealised losses (Note 12)	(583,487)	
	395,255	

At 1 September 2001, the Agency had no other securities with fixed income in the category of securities available-for-sale.

(c) Securities held-to-maturity

Bonds and similar debt securities

The Agency had no securities held-to-maturity as at 31 December 2002.

At 31 December 2001 and at 1 September 2001

	Amortised cost	Market value
	CZK'000	CZK'000
Unquoted	1,001,231	-
Allowances for unrealised losses (Note 12)	(1,001,231)	
	-	

8 Investments in subsidiary and associated undertakings

(a) Investments in subsidiary undertakings

At 31 December 2002

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK'000	CZK'000	CZK'000	%
PRISKO a.s., Praha	-	794,760	794,760	100.00
Revitalizační agentura, a.s., v likvidaci, Praha	270,000	270,000	270,000	100.00
Konpo, s.r.o., Praha	100	100	100	100.00
Česká finanční, s.r.o., Praha	-	200	200	100.00
VSM ČR akciová společnost, v likvidaci, Praha	545	500	1,000	50.00
IPB Real, a.s., Praha	1,114,555	1,000,000	1,000,000	100.00
SANAKON, s.r.o., Praha, v likvidaci	104	100	100	100.00
ŠKODA TS, a.s., Plzeň	118,000	118,000	186,000	63.44
	1,503,304			
Allowances for diminution in value (Note 12)	(940,798)			
	562,506			

At 31 December 2001

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK'000	CZK'000	CZK'000	%
PRISKO a.s., Praha	-	794,760	794,760	100.00
Revitalizační agentura, a.s., v likvidaci, Praha	270,000	270,000	270,000	100.00
Konpo, s.r.o., Praha	100	100	100	100.00
Česká finanční, s.r.o., Praha	-	13,833,540	13,833,540	100.00
VSM ČR akciová společnost, v likvidaci, Praha	545	500	1,000	50.00
Zetor, a.s., Brno	3,593,158	4,046	4,139	97.74
	3,863,803			
Allowances for diminution in value (Note 12)	(3,863,703)			
	100			

At 1 September 2001

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK'000	CZK'000	CZK'000	%
PRISKO a.s., Praha	-	794,760	794,760	100.00
Revitalizační agentura, a.s., v likvidaci, Praha	270,000	270,000	270,000	100.00
Konpo, s.r.o., Praha	100	100	100	100.00
Česká finanční, s.r.o., Praha	-	13,833,540	13,833,540	100.00
	270,100			
Allowances for diminution in value (Note 12)	(270,000)			
	100			

Summary financial information on subsidiary undertakings

At 31 December 2002 and for the year 2002:

Subsidiary financial data					
Name	Net book amount	Equity	Total assets	Revenues	Profit/(loss) before tax
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Česká finanční, s.r.o.	-	(173,069)	9,677,492	13,745,025	(16,062,956)
Konpo, s.r.o.	100	100	18,587,646	7,297,417	(5,139,908)
PRISKO a.s. ¹⁾	-	1,180,995	1,202,124	49,651	7,868
Revitalizační agentura, a.s. v likvidaci ²⁾	-	20,760	32,237	484,862	(5,418)
VSM ČR akciová společnost, v likvidaci ³⁾	-	975	1,010	-	(31)
IPB REAL, a.s.	557,302	553,331	2,402,091	694,494	10,924
SANAKON, s.r.o. v likvidaci	104	109	162	-	(301)
ŠKODA TS, a.s.	5,000	254,298	1,073,963	1,531,840	32,000
	562,506				

Note: Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2002, unless stated otherwise.

¹⁾ PRISKO a.s. has potential liabilities from the settlement of assets and liabilities relating to privatization of Škoda Mladá Boleslav, which amounts are not quantifiable. The company also has a potential liability of CZK 181 million arising from a dispute with the company Motokov, a.s.

²⁾ The company's financial statements were only available unaudited as at 30 September 2002.

³⁾ The company's financial statements were only available unaudited as at 31 December 2000.

At 31 December 2001 and for the period from 1 September to 31 December 2001:

Subsidiary financial data					
Name	Net book amount	Equity	Total assets	Revenues	Profit/(loss) before tax
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Česká finanční, s.r.o.	-	12,204,509	38,820,885	6,358,731	(5,096,755)
Konpo, s.r.o.	100	100	23,782,882	6,041,005	(5,853,903)
PRISKO a.s. ²⁾	-	1,173,126	1,194,221	2,057,484	52,807
Revitalizační agentura, a.s., v likvidaci	-	26,178	35,564	8,490	(10,348)
VSM ČR akciová společnost, v likvidaci ¹⁾	-	975	1,010	-	(31)
Zetor, a.s.	-	(2,237,636)	3,589,071	1,761,705	(631,070)
	100				

Note: Data has been drawn from the companies' audited financial statements as at 31 December 2001, unless stated otherwise.

¹⁾ The company's financial statements were only available unaudited as at 31 December 2000.

²⁾ PRISKO a.s. has potential liabilities from the settlement of assets and liabilities relating to privatization of Škoda Mladá Boleslav, which amounts are not quantifiable. The company also has a potential liability of CZK 181 million arising from a dispute with the company Motokov, a.s.

At 1 September 2001 and for the period from 1 January to 31 August 2001:

Subsidiary financial data					
Name	Net book amount	Equity	Total assets	Revenues	Profit/(loss) before tax
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Česká finanční, s.r.o.	-	12,226,293	40,024,586	2,776,855	(4,147,434)
Konpo, s.r.o.	100	(3,719,431)	24,023,181	4,353,800	(3,719,531)
PRISKO a.s. ¹⁾	-	1,155,281	1,176,771	1,231,804	34,962
Revitalizační agentura, a.s., v likvidaci	-	28,572	38,801	8,141	(7,954)
	100				

Note: Data has been drawn from the companies' audited financial statements as at 31 August 2001.

¹⁾ PRISKO a.s. has potential liabilities from the settlement of assets and liabilities relating to privatization of Škoda Mladá Boleslav, which amounts are not quantifiable. The company also has a potential liability of CZK 181 million arising from a dispute with the company Motokov, a.s.

(b) Investments in associated undertakings

At 31 December 2002

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK'000	CZK'000	CZK'000	%
a) shares:				
České aerolinie, a.s., Praha	2,052,930	946,170	2,735,510	34.59
Letov, a.s., Praha	565,829	565,829	1,798,833	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236,219	236,219	750,968	31.46
AERO Vodochody, a.s., Odolena Voda	1,602,342	780,606	2,691,926	29.00
ŠKODA HOLDING a.s., Praha	1,667,667	1,050,670	2,171,000	48.40
KORADO, a.s. Česká Třebová	86,183	287,700	840,700	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40,597	462,218	925,989	49.92
KRÁLOVOPOLSKÁ, a.s. Brno	208,435	208,435	954,121	21.85
PVT, a.s., Praha	1,289,571	290,169	784,035	37.01
ČKD PRAHA HOLDING, a.s. ²⁾	3,866,582	3,866,582	8,144,968	47.47
První česko-ruská banka, s.r.o., Moskva	227,623	163,176	335,332	48.66
b) contributions:				
Bankovní fond penzijního nadlepení, Praha ¹⁾	500	500	25,500	1.96
	11,844,478			
Allowances for diminution in value (Note 12)	(7,433,377)			
	4,411,101			

¹⁾ Bankovní fond penzijního nadlepení is an associated company of the Agency through its managerial rights.

²⁾ The company's financial statements were only available unaudited as at 31 October 2002 – the company is in the process of settling its obligations.

At 31 December 2001

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK'000	CZK'000	CZK'000	%
České aerolinie, a.s., Praha	2,052,930	946,170	2,735,510	34.59
Letov, a.s., Praha	565,829	565,829	1,798,833	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236,219	236,219	750,968	31.46
AERO Vodochody, a.s., Odolena Voda	1,602,342	780,606	2,691,926	29.00
ŠKODA HOLDING a.s., Praha	1,667,340	1,050,330	2,171,000	48.38
KORADO, a.s. Česká Třebová	86,183	287,700	840,700	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40,597	462,068	925,989	49.90
WALTER, a.s., Praha	627,883	1,452,545	3,163,689	45.91
b) contributions:				
SANAKON, s.r.o., Praha	53	49	100	49.00
Bankovní fond penzijního nadlepení, Praha ¹⁾	500	500	25,500	1.96
	6,879,876			
Allowances for diminution in value (Note 12)	(2,992,115)			
	3,887,761			

¹⁾ Bankovní fond penzijního nadlepení is an associated company of the Agency through its managerial rights.

At 1 September 2001

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK'000	CZK'000	CZK'000	%
Zetor, a.s., Brno	3,558,742	2,070	4,139	50.00
České aerolinie, a.s., Praha	2,052,930	946,170	2,735,510	34.59
Letov, a.s., Praha	565,829	565,829	1,798,833	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236,219	236,219	750,968	31.46
AERO Vodochody, a.s., Odolena Voda	1,602,342	780,606	2,691,926	29.00
TATRA, a.s., Kopřivnice	1,202,694	2,586,673	5,174,382	49.99
ŠKODA HOLDING a.s., Praha	1,666,980	1,050,000	2,171,000	48.36
SPOLANA, a.s., Neratovice	728,791	2,376,671	4,998,494	47.55
KORADO, a.s. Česká Třebová	86,183	287,700	840,700	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40,598	462,068	925,989	49.90
WALTER, a.s., Praha	627,883	1,452,545	3,163,689	45.91
b) contributions:				
SANAKON, s.r.o., Praha	53	49	100	49.00
Bankovní fond penzijního nadlepení, Praha ¹⁾	500	500	25,500	1.96
	12,369,744			
Allowances for diminution in value (Note 12)	(7,199,257)			
	5,170,487			

¹⁾ Bankovní fond penzijního nadlepení is an associated company of the Agency through its managerial rights.

9 Intangible and tangible fixed assets

(a) Intangible fixed assets

	1 September 2001	31 December 2001	Additions	Disposals	31 December 2002
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Cost	268,171	279,604	10,401	14,704	275,301
Accumulated amortisation	(170,874)	(190,804)	(58,344)	14,704	(234,444)
Net book amount	97,297	88,800			40,857

Intangible assets consists of software

(b) Operating tangible fixed assets

	1 September 2001	31 December 2001	Additions	Disposals	31 December 2002
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Costs					
Land	31,723	31,723	-	-	31,723
Buildings	683,356	685,745	223,301	222,112	686,934
Equipment	262,896	277,372	22,648	29,645	270,375
Other	10,156	9,934	1,775	1,377	10,332
	988,131	1,004,774	247,724	253,134	999,364
Accumulated depreciation					
Buildings	(120,443)	(128,394)	(246,058)	222,112	(152,340)
Equipment	(205,713)	(208,562)	(34,146)	29,645	(213,063)
Other	(6,233)	(6,596)	(715)	1,377	(5,934)
	(332,389)	(343,552)	(280,919)	253,134	(371,337)
Net book amount	655,742	661,222			628,027

(c) Non-operating fixed assets

	1 September 2001	31 December 2001	Additions	Disposals	31 December 2002
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Costs					
Land	191	103,149	84,414	137,962	49,601
Buildings	32,797	965,220	747,639	1,446,606	266,253
Equipment	5,613	5,609	14	104	5,519
Other	1,055	1,055	-	-	1,055
	39,656	1,075,033	832,067	1,584,672	322,428
Accumulated depreciation					
Buildings	(6,821)	(7,185)	(556,770)	555,194	(8,761)
Equipment	(5,716)	(5,827)	(528)	255	(6,100)
Other	(233)	(233)	-	4	(229)
	(12,770)	(13,245)	(557,298)	555,453	(15,090)
Net book amount	26,886	1,061,788			307,338

Non-operating tangible assets include tangible assets transferred from ČSOB, in accordance with the Agreement with ČSOB (Note 20).

The Agency did not hold assets under finance lease contracts as at 31 December 2002, at 31 December 2001 and at 1 September 2001.

Moveable fixed assets that were pledged to the Agency as collateral for granted loans were not recognised as at 31 December 2002, at 31 December 2001 and at 1 September 2001.

The Agency did not recognise any assets under charge as security over its liabilities or liabilities of third parties as at 31 December 2002, at 31 December 2001 and at 1 September 2001.

10 Other assets

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Receivable from State due to loss of the Bank from 1999	-	12,089,207	36,089,207
Receivable from State due to loss of the Bank for the period from 1 January 2001 to 31 August 2001	4,733,839	35,683,988	37,933,839
Receivable from State due to loss of the Agency for the period from 1 September 2001 to 31 December 2001	13,872,614	16,122,466	-
Receivable from State due to loss of the Agency for the period from 1 January 2002 to 31 December 2002	76,264,420	-	-
Receivables from State due to loss - total	94,870,873	63,895,661	74,023,046
Receivable from NPF (subsidiaries - coverage of losses)	2,007,627	8,873,582	6,825,715
Receivable from NPF due to 2002 loss of the Agency	1,411	-	-
Receivables from unsettled securities transactions	320,300	705,000	-
Advances granted	16,040	15,376	15,167
Clearing accounts for foreign currency operations	49	3,303	-
Settlement clearance accounts - debit balances	570,043	483,177	837,440
Estimated receivables	17,103	14,842	148,031
Other receivables	352,145	2,047,699	11,045
Derivatives	479,436	-	-
Inventories	1,455	1,182	1,147
	98,636,482	76,039,822	81,861,591
Allowances for impairment (Note 12)	-	-	-
	98,636,482	76,039,822	81,861,591

The disclosed loss of the Agency from 1 January 2002 to 31 December 2002, CZK 79,433,520,000 will be covered by the Agency's reserve fund of CZK 3,021,043,000 (Note 19), by the MF ČR, CZK 76,264,420,000 and by the NPF, CZK 148,057,000.

The disclosed loss of the Agency from 1 September 2001 to 31 December 2001, CZK 16,122,466,000 was covered by the Agency's reserve fund of CZK 204,405,000 and by the NPF CZK 2,045,447,000 and the remaining loss of CZK 13,872,614,000 should be settled by MF ČR by 30 June 2003.

The Bank's loss of CZK 41,526,363,000 for the period from 1 January 2001 to 31 August 2001 was covered by the Agency's special purpose reserve fund, CZK 3,108,642,000, by the MF ČR, of CZK 33,200,000,000, and by the NPF, CZK 483,882,000. The remaining loss of CZK 4,733,839,000 will be settled by MF ČR by 30 June 2003.

The receivable from the State due to the loss of the Bank incurred in 1999 was paid in January and February 2002. The receivable from the NPF from losses incurred by subsidiaries was also paid in February 2002.

Receivables from the State and the NPF for payment of losses do not bear interest and are not discounted to net present value.

11 Prepayments and accrued income

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Prepayments	5,616	7,181	20,452
Accrued income	445	689	1,600,160*
	6,061	7,870	1,620,612

* The accrued income represents as at 1 September 2001 interest reclassified to the related assets for following periods. The Agency's information system does not provide sufficient information to enable reclassification as at 1 September 2001.

12 Allowances, provisions and write offs

The Agency had the following provisions and allowances for assets at risk:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Provisions			
General provisions for loans (Note 5)	5,593,304	10,039,293	6,270,293
Specific provisions for guarantees (Note 20)	1,993,335	4,362,957	3,054,957
Specific provision for "black" and "other" items transferred from ČSOB according to restructuring plan (Note 20)	123,362	29,263,482	32,130,200
General provision for purchase of receivables	-	294,000	-
Specific provision for offshore structures transferred from ČSOB (Note 20)	29,500,000	-	-
Specific provision for guarantee of repayment of Nová Hut', a.s. bonds	1,173,000	-	-
	38,383,001	43,959,732	41,455,450
Allowances			
Impaired loans to banks (Note 4)	405,641	-	-
Impaired loans to customers (Note 5)*	119,833,806	72,680,829	62,692,867
Trading securities (Note 7)	-	1,073,258	1,032,074
Securities available-for-sale (Note 7)	-	785,204	44,022
Securities held-to-maturity (Note 7)	-	1,001,231	1,001,231
Investments in subsidiaries & associates (Note 8)	8,374,175	6,855,818	7,469,257
	128,613,622	82,396,340	72,239,451

* Includes allowances for impaired loans provided to related parties (Note 5b)

The movements in provisions can be analysed as follows:

	General provisions for overdue receivables	General provisions standard for loans	Provisions for "ring fenced" asset guarantees - ČS	Provisions for "black" and "other" assets ¹⁾	Provision for purchase of receivables ²⁾	Provision for offshore structures ³⁾	Provisions for Nova Huť, a.s. bonds liabilities ⁴⁾	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
1 September 2001	5,812,983	457,310	3,054,957	32,130,200	-	-	-	41,455,450
Creation	3,769,000	-	1,308,000	13,435,000	294,000	-	-	18,806,000
Release	-	-	-	(16,301,718)	-	-	-	(16,301,718)
31 December 2001	9,581,983	457,310	4,362,957	29,263,482	294,000	-	-	43,959,732
Creation	-	-	-	-	-	29,500,000	1,173,000	30,673,000
Release	(4,445,989)	-	(2,369,622)	(29,140,120)	(294,000)	-	-	(36,249,731)
31 December 2002	5,135,994	457,310	1,993,335	123,362	-	29,500,000	1,173,000	38,383,001

¹⁾ Certain "black" and "other" assets received in accordance with the Agreement with ČSOB (Note 20) recorded as off balance sheet contingencies as at 31 December 2001 and as at 1 September 2001, have been transferred to the Agency and recorded in the balance sheet as at 31 December 2002. Provisions created for these assets have been released and the balance sheet exposure has been covered by allowances (Notes 5 and 20).

²⁾ Purchase of receivables from Revitalizační agentura, a.s.

³⁾ Purchase of offshore structures from ČSOB (Note 20).

⁴⁾ Based on Government decision 587/02 the Agency guarantees repayment of liabilities related to Nová Huť, a.s. bonds.

On 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets of Česká Spořitelna, a.s. and the companies CORFINA, a.s., CORFINA TRADE, s.r.o. and CF Danube leasing, s.r.o. (hereinafter "ČS group"). During the year 2001, Česká spořitelna, a.s. exercised a put option with the Agency and transferred selected assets, with an associated value of CZK 4,700,000,000, into the Agency. For these transferred assets, the Agency created allowances amounting to CZK 3,645,043,000 (included in the allowance for impaired loans). The specific provision for the guarantees relating to the above mentioned transfers as at 31 December 2001 was CZK 4,362,957,000.

In July 2002 selected assets were transferred to the Agency amounting to CZK 4,110,363,000 in accordance with the above agreement. The Agency has paid CZK 50,022,000 as motivation fees for this transfer. The Agency created allowances for the transferred assets amounting to CZK 1,971,500,000 which are included in allowances for impaired loans and released general provisions of the same amount. Specific provisions for guarantees relating to other transfers expected from Česká Spořitelna, a.s. amounted to CZK 1,993,335,000 as at 31 December 2002.

On 31 December 2002 the Agency created specific provisions of CZK 29,500,000,000 for the losses arising from the exercise of the option to purchase offshore structures that are in the process of transfer from ČSOB (note 20). No provision was created for potential losses on these structures as at 31 December 2001 and 1 September 2001 because the outcome of ongoing discussions was not known and a reliable estimate of the amount of any potential loss could not be made at the date of signing the Financial statements for the year ended as at 31 December 2001.

The movements in allowances can be analysed as follows:

	Impaired loans to banks	Impaired loans to customers	Trading securities	Available-for-sale securities	Securities held-to-maturity	Investments in subsidiaries and associates
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Allowance at 1 September 2001	-	62,692,867	1,032,074	44,022	1,001,231	7,469,257
Additions	-	20,051,763	47,178	788,837	-	34,961
Usage	-	(9,884,341)	(5,994)	(47,655)	-	(648,400)
Write backs ¹⁾	-	(179,460)	-	-	-	-
Allowance at 31 December 2001	-	72,680,829	1,073,258	785,204	1,001,231	6,855,818
Additions	405,641	85,572,089	-	-	-	6,021,720
Usage	-	(38,336,353)	-	-	(1,001,231)	(4,503,363)
Write backs ¹⁾	-	(82,759)	(1,073,258)	(785,204)	-	-
Allowance at 31 December 2002	405,641	119,833,806	-	-	-	8,374,175

¹⁾ The written back specific allowances for classified loans of CZK 82,759,000 for the period ended 31 December 2002 represent the difference between nominal and purchase cost of loans, recorded as allowances when originated, in accordance with the existing methodology.

Written back allowances for classified loans of CZK 179,460,000 for the period from 1 September 2001 to 31 December 2001 include foreign exchange differences of CZK 167,137,000 from the revaluation of allowance in foreign currencies.

Creation of allowances

The amount of allowances created is based upon the identified risk, taking into consideration both the realisable value of collateral accepted and a special-purpose reserve fund (Note 19). Allowances are created against securities and investments on an individual basis.

Allowances to loans (CZK '000):

	Gross impaired amounts receivable at 31 December 2002	Quarterly average of gross impaired amounts receivable from 1 January to 31 December 2002	Allowances at 31 December 2002
	CZK'000	CZK'000	CZK'000
Watched	1,702,742	2,640,300	93,503
Substandard	4,878,719	3,933,642	406,508
Doubtful	8,686,389	8,465,385	3,235,420
Loss	153,121,631	155,448,139	116,098,375
Total	168,389,481		119,833,806

Write-offs and recovery of amounts written off previously

	1 January - 31 December 2002		1 September - 31 December 2001	
	Amounts written off	Recovery of amounts written off previously	Amounts written off	Recovery of amounts written off previously
	CZK'000	CZK'000	CZK'000	CZK'000
State sector	2,614,561	-	183,717	-
Private clients	1,435,960	-	69,684	-
	4,050,521	-	253,401	-

Bad debts are written off against established provisions, allowances or directly expensed in the case that management of the Agency asserts their chance of recoverability to be nil.

13 Due to banks

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Due to central banks	10,687,860	11,651,574	11,998,574
Due to other banks	102,050,985	100,504,513	109,261,664
Loans received from banks based on repurchase agreements	-	2,100,000	-
	112,738,845	114,256,087	121,260,238

14 Due to customers

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Amounts due to governmental entities	5,883,684	25,444,780	6,577,978
Amounts due to private customers	24,180,413	3,778,769	2,498,924
Other short-term payables to clients	249,902	96,466	91,406
	30,313,999	29,320,015	9,168,308

Deposits from related parties

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Subsidiary undertakings and other companies under common control	298,689	656,702	107,261
Associated undertakings	204,889	257,447	233,931
	503,578	914,149	341,192

The Agency has accepted deposits from related parties. Such deposits were accepted under substantially the same terms and conditions, including interest rates, as were prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management of the Agency, involve more than normal interest rate and liquidity risk or present other unfavourable features.

15 Liabilities from debt securities

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Bonds issued - long term	27,684,150	12,623,486	12,000,000
less: own bonds held (Note 2(u) iii)	(200,588)	(202,054)	(204,620)
Promissory notes and bills of exchange	5,827,902	1,441,899	1,032,212
	33,311,464	13,863,331	12,827,592

As at 31 December 2002, the Agency had outstanding short-term bonds issued (deposit bills) redeemable within one year of CZK 1,305,409,000 (31 December 2001: 1,441,899,000; at 1 September 2001: CZK 1,032,212,000). The long-term bonds issued comprise:

Issue	Notional amount CZK'000	Maturity	Interest rate
2.	7,000,000	15 April 2004	10.875% p.a.
3.	5,000,000	17 March 2005	6-month PRIBOR + 0.125% p.a.
4.	5,000,000	10 June 2007	5.050% p.a.
5.	10,000,000	28 June 2005	6-month PRIBOR + 0.09% p.a.
	27,000,000		

16 Subordinated liabilities

The Agency had no subordinated debt as at 31 December 2002, as at 31 December 2001 or as at 1 September 2001.

17 Other liabilities

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Payables to subsidiaries for the settlement of losses	2,007,627	8,873,582	6,825,715
Miscellaneous payables	178,966	189,426	78,882
Settlement clearance accounts - debit balances	-	-	45,512
Clearing accounts for foreign currency operations	-	-	5
Estimated payables	283,998	156,227	162,260
Derivative financial instruments	16,791	-	-
	2,487,382	9,219,235	7,112,374

18 Accruals and deferred income

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Accruals	54,139	22,261	2,857,015
Deferred income	50,653	4,723	24,077
	104,792	26,984	2,881,092

19 Equity and profit distribution

Share capital

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Issued and paid	5,950,000	5,950,000	5,950,000

Czech law requires that the State guarantees the Agency's liabilities and thus pays losses incurred by the Agency. The claim for settling the loss of the current period is recorded as a receivable from the State against the Capital fund, and consequently total assets are increased. The settlement of the loss from the Capital fund is recorded in the following accounting period.

The Agency records a receivable from the NPF and a liability to a subsidiary (notes 10 and 17) in accordance with the agreements concluded with the NPF on covering expenses and losses of subsidiaries. This transaction has no impact on the results of the Agency.

The Bank, the legal predecessor of the Agency, has received an official interpretation of the relevant accounting legislation from the MF ČR (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Agency. In accordance with this interpretation, the Agency has set aside, within the statutory reserve fund that forms part of the equity of the Agency, an amount of CZK 21,395,462,000 (31 December 2001: CZK 24,416,505,000; 1 September 2001: CZK 24,620,910,000) to cover expected losses on certain specific loans and no allowances have been separately reflected for these expected losses. This reserve fund was contributed to by the NPF. The Agency released an amount of CZK 3,021,043,000 to cover losses related to the old block of loans (in the period from 1 September 2001 to 31 December 2001: CZK 204,405,000). The disclosed loss from the old block loans (Note 2(n)) for the period will be covered by the released part of the reserve fund.

20 Contingencies and commitments

Potential assets and liabilities can be analysed as follows:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Guarantees granted			
- On behalf of the clients	209,189	978,217	974,043
- On behalf of ČS group clients	3,333,698	13,069,675	11,204,471
- On behalf of Komerční banka, a.s. clients 1)	6,812,000	20,000,000	20,000,000
Total	10,354,887	34,047,892	32,178,514
General provisions for guarantees (Note 12)	(1,993,335)	(4,362,957)	(3,054,957)
Net	8,361,552	29,684,935	29,123,557
Co-acceptances given	87,487	-	-
Loan commitments made			
- Revocable	13,165	258,804	1,171,493
- Irrevocable	539,047	5,036,198	5,741,225
Total	552,212	5,295,002	6,912,718
Commitments on the cession of assets			
- ČSOB "black" assets from IPB Restructuring Plan	-	17,847,461	45,900,000
- ČSOB "other" assets from IPB Restructuring Plan	-	11,654,000	-
- ČSOB offshore structures from IPB Restructuring Plan ²⁾	57,500,000	-	-
- Specific provisions to ČSOB assets from IPB Restructuring Plan	(123,362)	(29,263,482)	(32,130,200)
- Specific provisions to ČSOB offshore structures from IPB Restructuring Plan	(29,500,000)	-	-
Net	27,876,638	237,979	13,769,800
Guarantees received			
- From the State	1,225,300	2,686,044	3,708,398
- From NPF ¹⁾	14,007,446	34,776,300	35,103,143
- From other entities	467,563	410,898	798,200
Total	15,700,309	37,873,242	39,609,741
Irrevocable loan commitments accepted	132,881,495	133,786,330	110,823,460

¹⁾ As at 31 December 2002 the balance of CZK 6,812,000,000 (as at 31 December 2001 and 1 September 2001: CZK 20,000,000,000) represents the Agency's guarantee for selected assets of Komerční banka, a.s. up to this amount based on Government regulations.

²⁾ The Agency exercised the option to purchase voting and nonvoting shares of the IPB offshore structures against ČSOB based on the Agreement with ČSOB. In addition, the Agency expects to overtake shares in private limited companies and promissory notes in year 2003.

The Agency was obliged, due to an Agreement on the restructuring plan signed between its legal predecessor, the Bank, ČSOB and the MF ČR (the "Agreement with ČSOB"), to accept, at the request of ČSOB, selected assets acquired as a result of ČSOB's rescue of Investiční a Poštovní banka, a.s. ("IPB") at the agreed price. The purchase price represents the book amount recorded by IPB on the date of acquisition adjusted by any proceeds from the assets plus interest up to the date of transfer to the Agency. This

Agreement segregated the portfolio of assets of CZK 45,900,000,000, which may be transferred into so called “black assets”, which ČSOB had already decided to transfer at the date of the Agreement and “other assets”, for which no decision had been made at that date.

In accordance with the Agreement with ČSOB the Agency received from ČSOB black and other assets at a purchase price of CZK 80,350,000,000 during the year 2002 and black assets of CZK 18,550,000,000 during the period from 1 September to 31 December 2001 (Note 5).

On May 2002 based on the Agreement with ČSOB, ČSOB exercised its rights under this put option against the Agency and called the Agency to sign the agreement on transfer of the selected items from so called “offshore structures” to which IPB transferred a part of its securities portfolio in 1999 and 2000 and which became the subject of a state guarantee and cross options between ČSOB and the Agency as at the date of sale of IPB. Based on ongoing discussion with ČSOB, the offshore structures should be transferred within the required time frame by May 2003. The purchase price has been stated as described above and was CZK 57,500,000,000 as at 28 February 2003. Because the fair value of the assets to be transferred, based on available information, is estimated to be CZK 28,000,000,000, the Agency has created provisions for losses from the exercised option of ČSOB with respect to the transfer of these structures of CZK 29,500,000,000 as at 31 December 2002 because it is still not clear when and how the obligation from the option will be realised. No provision was created for potential losses on these structures as at 31 December 2001 and 1 September 2001 because the outcome of ongoing discussions with ČSOB was not known and a reliable estimate of the amount of potential loss could not be made at the date of signing the Financial statements as at 31 December 2001.

No other transfer of assets to the Agency are expected under the Agreement with ČSOB.

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Assets placed in custody			
Shares	2,825,342	-	-
Bonds	746,752	808,990	-
	3,572,094	808,990	-
Assets in safe			
Shares	97,958	-	-
Bonds	-	1,007,972	1,007,972
	97,958	1,007,972	1,007,972
Assets under custody			
Shares	-	340	-
Other	1,320,288	1,219,094	1,006,985
	1,320,288	1,219,434	1,006,985

Assets purchased under resale agreements (Reverse Repo transaction)

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Bonds	41,168,500	-	-

Receivables from Reverse Repo transactions are included in Due from banks (Note 4).

Assets sold under repurchased agreements (Repo transaction)

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Bonds	-	-	-

Liabilities from Repo transactions are included in Due to banks (Note 13) .

21 Interest receivable and similar income

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Interest on inter-bank transactions	1,744,556	368,054
Interest on loans to customers and state	9,221,219	2,791,628
Interest and discount on debt securities	321,646	35,972
	11,287,421	3,195,654

An estimated amount of CZK 3,159,000,000 representing income on impaired loans was included in 2002 (period from 1 September to 31 December 2001: CZK 2,900,000,000). Overdue penalty interest of CZK 3,457,000,000 for classified loans as at 31 December 2002 (as at 31 December 2001: CZK 400,000,000; as at 1 September 2001: CZK 700,000,000) was not recorded in revenues. The penalty interest is legally enforceable and has not been forgiven.

22 Interest payable and similar expense

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Interest on inter-bank transactions	6,508,505	2,478,718
Interest on deposits from customers and state	891,261	167,847
Interest and discount on debt securities issued	1,681,437	371,793
	9,081,203	3,018,358

23 Income from shares and other interests

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Income from associated undertakings	34,820	-
Income from shares and other interests	2,224	-
	37,044	-

24 Gains less losses from financial transactions

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Realised gains less losses from securities transaction	(1,458,501)	22,291
Gains less losses from foreign currency transactions	15,798	37,633
Gains less losses from trading derivatives	472,960	-
Gains less losses from other transactions	17,858	18,612
Net allowances for trading and available-for-sale securities	-	(782,366)
	(951,885)	(703,830)

The Bank signed restructuring and guarantee agreements with ČS Group (note 12) relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets.

A so called "motivation fee" is paid based on the contract. The motivation fee is calculated as 12% of proceeds from interest and fees received by ČS Group from clients from loans under the above mentioned guarantee before their transfer to the Agency and 12% from the proceeds from loan principle received by ČS Group before their transfer to the Agency. The first part of the motivation fee is paid by the Agency quarterly, the second part is paid at the date of transfer. This motivation fee of CZK 110,743,000 (period from 1 September to 31 December 2001: 13,385,000) is expensed and included in the Gains less losses from other transactions.

The Agency has to pay an "interest fee" in accordance with the above mentioned agreement for the management of the assets under the Agency's guarantee. This interest fee of CZK 273,016,000 (period from 1 September to 31 December 2001: 223,241,000); is included in the Gains less losses from other transactions stated above and it is paid by the Agency quarterly.

The motivation and interest fee are not capitalised because they do not meet the criteria to be recorded as assets as they do not bring any future benefits to the Agency.

25 Administrative expenses

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Rent and lease charges	7,109	2,692
Staff costs	424,030	129,017
Audit, tax and legal advisory services	131,745	38,513
Other administration expenses	340,734	68,402
	903,618	238,624

Staff costs can be analysed as follows:

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Wages and salaries	304,546	90,337
Social security and other social costs	113,305	36,418
Emoluments of Supervisory Board	6,179	2,262
	424,030	129,017

Emoluments of Board of Directors for their executive role of CZK 19,947,000 (for the period from 1 September to 31 December 2001: CZK 5,156,000) are included in wages and salaries.

Staff statistics

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Average number of employees	568	582
Number of members of the Board of Directors	5	5
Number of members of the Supervisory Board	9	8

26 Other income and expenses

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Other income		
Fee and commission income	151,884	14,899
Other operating income	472,396	33,552
Utilisation of provisions, income from ceded receivables and income from receivables already written-off	82,302,306	26,926,612
	82,926,586	26,975,063
Other expenses		
Fee and commission expense	78,511	5,064
Other operating expense	7,527,603	2,385,572
Depreciation of tangible and intangible fixed assets	125,150	36,254
Addition to provisions, write-offs of receivables and guarantees	155,269,168	39,714,132
	163,000,432	42,141,022

27 Taxation

From 1 September 2001 the income of the Agency has been non-taxable, based on the Income Tax Act.

28 Extraordinary items

(a) Extraordinary expenses

	2002
	CZK'000
Release of allowances for securities - revaluation at fair value:	
Shares	169,921
Mutual funds shares	31,795
Bonds and other debt instruments	1,585,253
Bills of exchange	73,583
	1,860,552

(b) Extraordinary income

	2002
	CZK'000
Release of allowances for securities	
Shares	169,921
Mutual funds shares	31,795
Bonds and other debt instruments	1,585,253
Bills of exchange	73,583
Revaluation to fair value (above cost)	
Shares	239,825
Mutual funds shares	10,239
Bonds and other debt instruments	2,503
Bills of exchange	-
	2,113,119

Extraordinary expenses and income in the period from 1 September to 31 December 2001 were not significant.

29 Financial risks

(a) Strategy in using financial instruments

Based on the Agency's specific status, its financial risk management function focuses on developing procedures, establishing methods and setting limits, and monitoring the Agency's adherence to the policies.

The ČKA's independent analysis of individual clients and discussions of business cases is carefully considered in developing and updating the financial risk procedures.

Furthermore regular reports connected to financial risk management are prepared for the Board of Directors and other advisory bodies of the Board of Directors. The control of financial risk management is reviewed by internal audit.

(b) Credit risk

The Agency's credit risk management policy is based on the Agency's internal rating system, one of the two methodologies recommended by the Basel Committee for bank supervision.

Through the use of internal ratings, the Agency can assess the degree of credit risk associated with clients. The rating is determined by the subject's ability to meet its short term and long term obligations. Monitoring of clients' financial situation is an essential element of the Agency's credit risk management.

Based on the Governmental rulings, the Board of Directors is obliged to realize certain transactions even if such transactions would not otherwise have been realized based on the related risk involved.

Geographical segmentation

At 31 December 2002

Assets	Domestic	European union	Other Europe	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Due from banks	53,269,629	48,680	792	12,548	53,331,649
Due from customers	85,182,531	-	625,650	-	85,808,181
Securities available-for-sale	2,643,864	-	-	-	2,643,864
Investments in subsidiaries & associates	4,780,423	-	193,184	-	4,973,607
Other assets	99,629,617	-	-	-	99,629,617
Total assets	245,506,064	48,680	819,626	12,548	246,386,918

At 31 December 2001

Assets	Domestic	European union	Other Europe	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	4,594	-	-	-	4,594
Due from banks	32,295,495	68,346	3,875	5,404	32,373,120
Due from customers	123,436,764	18,083	316,426	-	123,771,273
Trading securities	2,710,741	-	-	-	2,710,741
Securities available-for-sale	2,101,209	-	-	-	2,101,209
Investments in subsidiaries & associates	3,887,861	-	-	-	3,887,861
Other assets	77,867,894	-	-	-	77,867,894
Total assets	242,304,558	86,429	320,301	5,404	242,716,692

At 1 September 2001

Assets	Domestic	European union	Other Europe	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	16	-	-	-	16
Due from banks	14,904,716	20,234	1,194	47,979	14,974,123
Due from customers	121,739,928	16,229	4,255	-	121,760,412
Trading securities	581,395	-	-	-	581,395
Securities available-for-sale	228,527	-	-	-	228,527
Investments in subsidiaries & associates	5,170,587	-	-	-	5,170,587
Other assets	84,270,066	-	-	-	84,270,066
Total assets	226,895,235	36,463	5,449	47,979	226,985,126

Business segmentation

At 31 December 2002

Assets	Private subjects	State institutions	Municipalities	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Due from banks	53,331,649	-	-	-	53,331,649
Due from customers	82,110,832	3,638,788	58,561	-	85,808,181
Securities available-for-sale	2,643,864	-	-	-	2,643,864
Investments in subsidiaries & associates	4,973,607	-	-	-	4,973,607
Other assets	86,735,949	-	-	12,893,668	99,629,617
Total assets	229,795,901	3,638,788	58,561	12,893,668	246,386,918

At 31 December 2001

Assets	Private subjects	State institutions	Municipalities	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	-	-	-	4,594	4,594
Due from banks	32,373,120	-	-	-	32,373,120
Due from customers	99,176,558	24,452,093	142,622	-	123,771,273
Trading securities	2,710,741	-	-	-	2,710,741
Securities available-for-sale	2,101,209	-	-	-	2,101,209
Investments in subsidiaries & associates	3,887,861	-	-	-	3,887,861
Other assets	55,339,885	-	-	22,528,009	77,867,894
Total assets	195,589,374	24,452,093	142,622	22,532,603	242,716,692

At 1 September 2001

Assets	Private subjects	State institutions	Municipalities	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	-	-	-	16	16
Due from banks	14,964,733	-	-	9,390	14,974,123
Due from customers	93,633,165	28,082,189	45,058	-	121,760,412
Trading securities	581,395	-	-	-	581,395
Securities available-for-sale	228,527	-	-	-	228,527
Investments in subsidiaries & associates	5,170,587	-	-	-	5,170,587
Other assets	63,693,910	3,483,027	-	17,093,129	84,270,066
Total assets	178,272,317	31,565,216	45,058	17,102,535	226,985,126

(c) Derivative financial instruments

Hedge accounting is not used as both the hedged items and derivatives are fair valued and resulting gains and losses are recognised in the income statement, thus providing natural hedge effects.

The Agency has outstanding trading derivative contracts, which can be analysed as follows:

	31 December 2002		
	Nominal value	Fair value positive	Fair value negative
	CZK'000	CZK'000	CZK'000
Foreign exchange forwards	2,024,194	15,277	16,791

The Agency had foreign exchange forwards in recalculated nominal value of CZK 780,760,000 as at 31 December 2001.

Change of the fair value of trading derivatives is recognised in the income statement.

The table above provide a detailed breakdown of the nominal amounts and the fair value of the Agency's derivative financial instruments outstanding at year end.

These foreign exchange derivatives allow the Agency and its customers to transfer, modify or reduce their foreign exchange risks.

The nominal amounts provide a basis for volume comparison with instruments recognised on the balance sheet but do not indicate the Agency's exposure to credit risk.

The off balance sheet exposure of CZK 464,159,000 represents the fair value of a purchased call option for shares of Český Mobil, a.s. which can be exercised by October 2003. The fair value of this option is presented in the Other assets as Financial derivatives (note 10).

(d) Currency risk

The Agency takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The net asset or liability represents the Agency's exposure to movements in the exchange rate of each foreign currency and the Czech Crown. The exposure is actively managed through forwards, which are included in off-balance sheet long and short positions. The Agency actively monitors its limits for managing its currency risk.

The table below summarises the Agency's currency exposure. Included in the table are the Agency's assets, liabilities and equity stated at their carrying amounts, categorised by currency.

As at 31 December 2002

	CZK	EUR	USD	SKK	GBP	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets							
Due from banks	52,318,280	641,710	335,057	71	9,715	26,816	53,331,649
Due from customers	83,985,180	1,277,251	517,081	-	-	28,669	85,808,181
Debt securities	1,003,745	-	97,958	-	-	-	1,101,703
Other assets	106,144,452	933	-	-	-	-	106,145,385
	243,451,657	1,919,894	950,096	71	9,715	55,485	246,386,918
Liabilities and equity							
Due to banks	111,487,716	729,805	521,324	-	-	-	112,738,845
Due to customers	29,574,905	506,213	232,881	-	-	-	30,313,999
Liabilities from debt securities	33,311,464	-	-	-	-	-	33,311,464
Provisions	38,383,001	-	-	-	-	-	38,383,001
Other liabilities	2,569,378	-	-	-	-	22,796	2,592,174
Equity	29,047,435	-	-	-	-	-	29,047,435
	244,373,899	1,236,018	754,205	-	-	22,796	246,386,918
Balance sheet net	(922,242)	(683,876)	195,891	71	9,715	32,689	-
Off balance sheet net liabilities	-	(778,413)	(189,930)	-	-	-	(968,343)
Net on and off balance sheet position	(922,242)	(94,537)	5,961	71	9,715	32,689	(968,343)

As at 31 December 2001

	CZK	EUR	USD	SKK	GBP	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets							
Deposits with central banks	4,594	-	-	-	-	-	4,594
Due from banks	12,704,208	19,259,146	393,608	266	3,310	12,582	32,373,120
Due from customers	122,887,839	273,085	602,513	-	-	7,836	123,771,273
Debt securities	3,105,996	-	-	-	-	-	3,105,996
Other assets	83,461,540	2	167	-	-	-	83,461,709
	222,164,177	19,532,233	996,288	266	3,310	20,418	242,716,692
Liabilities							
Due to banks	112,982,028	535,468	738,591	-	-	-	114,256,087
Due to customers	9,906,701	19,201,692	211,622	-	-	-	29,320,015
Liabilities from debt securities	13,863,331	-	-	-	-	-	13,863,331
Provisions	43,959,732	-	-	-	-	-	43,959,732
Other liabilities	9,213,089	24,661	-	-	-	8,469	9,246,219
Equity	32,071,308	-	-	-	-	-	32,071,308
	221,996,189	19,761,821	950,213	-	-	8,469	242,716,692
Net on and off balance sheet position	167,988	(229,588)	46,075	266	3,310	11,949	-

As at 1 September 2001

	CZK	EUR	USD	SKK	GBP	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets							
Deposits with central banks	16	-	-	-	-	-	16
Due from banks	12,299,390	2,485,922	179,827	290	1,401	7,293	14,974,123
Due from customers	120,497,311	388,255	874,846	-	-	-	121,760,412
Debt securities	581,395	-	-	-	-	-	581,395
Other assets	89,644,745	14,504	9,931	-	-	-	89,669,180
	223,022,857	2,888,681	1,064,604	290	1,401	7,293	226,985,126
Liabilities							
Due to banks	119,733,344	531,836	995,058	-	-	-	121,260,238
Due to customers	8,690,623	297,668	180,017	-	-	-	9,168,308
Liabilities from debt securities	12,827,592	-	-	-	-	-	12,827,592
Provisions	41,455,450	-	-	-	-	-	41,455,450
Other liabilities	9,928,738	10,500	54,228	-	-	-	9,993,466
Equity	32,280,072	-	-	-	-	-	32,280,072
Equity and liabilities	224,915,819	840,004	1,229,303	-	-	-	226,985,126
Net on and off balance sheet position	(1,892,962)	2,048,677	(164,699)	290	1,401	7,293	-

(e) Interest rate risk

The Agency takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as the result of such changes, but they may decrease or result in losses in the event of unexpected movements.

Limits for the management of interest rate risk have been set. The Agency monitors portfolio sensitivity to changes in interest rates using GAP analysis.

The table below summarises the Agency's exposure to interest rate risk. Included in the table are the Agency's interest bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual, repricing or maturity dates.

At 31 December 2002

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Due from banks	47,427,937	58,936	344,776	5,500,000	-	53,331,649
Due from customers	506,498	12,877,699	60,484,526	3,899,971	8,039,487	85,808,181
Debt securities	-	252,193	185,770	108,534	555,206	1,101,703
Other assets	3,277,921	506,618	94,870,872	-	7,489,974	106,145,385
	51,212,356	13,695,446	155,885,944	9,508,505	16,084,667	246,386,918
Liabilities and equity						
Due to banks	5,043,835	15,885,565	72,295,888	19,513,557	-	112,738,845
Due to customers	29,779,464	533,325	-	-	1,210	30,313,999
Liabilities from debt securities	5,571,461	10,703,640	15,661,363	1,375,000	-	33,311,464
Provisions	-	-	-	-	38,383,001	38,383,001
Other liabilities	2,196,551	387,155	-	-	8,468	2,592,174
Equity	-	-	-	-	29,047,435	29,047,435
	42,591,311	27,509,685	87,957,251	20,888,557	67,440,114	246,386,918

At 31 December 2001

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	4,594	-	-	-	-	4,594
Due from banks	26,873,120	-	-	5,500,000	-	32,373,120
Due from customers	50,460,745	41,963,287	27,933,002	991,131	2,423,108	123,771,273
Debt securities	2,550,162	555,834	-	-	-	3,105,996
Other assets	12,163,515	63,925,986	4,728	147,167	7,220,313	83,461,709
	92,052,136	106,445,107	27,937,730	6,638,298	9,643,421	242,716,692
Liabilities and equity						
Due to banks	11,848,084	21,925,810	66,285,916	14,151,087	45,190	114,256,087
Due to customers	18,938,853	7,057,914	3,080,393	-	242,855	29,320,015
Liabilities from debt securities	5,786,433	632,600	7,000,000	-	444,298	13,863,331
Provisions	-	-	-	-	43,959,732	43,959,732
Other liabilities	5,906,376	741,143	-	2,456	2,596,244	9,246,219
Equity	-	-	-	-	32,071,308	32,071,308
	42,479,746	30,357,467	76,366,309	14,153,543	79,359,627	242,716,692

At 1 September 2001

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	-	-	-	-	16	16
Due from banks	9,274,123	200,000	-	5,500,000	-	14,974,123
Due from customers	12,720,744	32,587,079	31,905,693	8,412,928	36,133,968	121,760,412
Debt securities	4,640	23,792	552,963	-	-	581,395
Other assets	8,119,999	74,484,899	-	-	7,064,282	89,669,180
	30,119,506	107,295,770	32,458,656	13,912,928	43,198,266	226,985,126
Liabilities and equity						
Due to banks	8,482,906	25,191,097	68,385,916	15,001,087	4,199,232	121,260,238
Due to customers	9,075,902	1,000	91,406	-	-	9,168,308
Liabilities from debt securities	761,433	5,000,000	7,000,000	-	66,159	12,827,592
Provisions	-	-	-	-	41,455,450	41,455,450
Other liabilities	7,239,697	534,576	-	2,653	2,216,540	9,993,466
Equity	-	-	-	-	32,280,072	32,280,072
	25,559,938	30,726,673	75,477,322	15,003,740	80,217,453	226,985,126

(f) Liquidity risk

The Agency prepares a statement of actual and residual maturities of its assets and liabilities and monitors the limits for the purposes of liquidity risk management.

The table below analyses assets and liabilities of the Agency into their relevant maturity bands, based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2002

Assets	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Due from banks	47,831,649	-	-	5,500,000	-	53,331,649
Due from customers	6,648,658	5,548,103	13,888,192	3,773,074	55,950,154	85,808,181
Debt securities	-	3,744	-	1,097,959	-	1,101,703
Other assets	3,277,921	500,573	94,870,872	-	7,496,019	106,145,385
	57,758,228	6,052,420	108,759,064	10,371,033	63,446,173	246,386,918
Liabilities and equity						
Due to banks	5,043,835	14,541,925	67,618,545	25,534,540	-	112,738,845
Due to customers	29,779,464	533,325	-	-	1,210	30,313,999
Liabilities from debt securities	588,248	715,373	30,566,996	1,440,847	-	33,311,464
Provisions	-	-	-	-	38,383,001	38,383,001
Other liabilities	2,196,551	387,155	-	-	8,468	2,592,174
Equity	-	-	-	-	29,047,435	29,047,435
	37,608,098	16,177,778	98,185,541	26,975,387	67,440,114	246,386,918

At 31 December 2001

Assets	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	4,594	-	-	-	-	4,594
Due from banks	26,873,120	-	-	5,500,000	-	32,373,120
Due from customers	14,473,267	12,065,033	25,817,159	8,096,764	63,319,050	123,771,273
Debt securities	2,112,259	48,439	945,298	-	-	3,105,996
Other assets	12,163,515	63,925,986	4,728	147,167	7,220,313	83,461,709
	55,626,755	76,039,458	26,767,185	13,743,931	70,539,363	242,716,692
Liabilities and equity						
Due to banks	11,848,084	19,687,458	55,837,055	26,883,490	-	114,256,087
Due to customers	23,793,015	5,527,000	-	-	-	29,320,015
Liabilities from debt securities	806,692	2,748,531	10,308,108	-	-	13,863,331
Provisions	-	-	-	-	43,959,732	43,959,732
Other liabilities	5,906,376	741,143	-	2,456	2,596,244	9,246,219
Equity	-	-	-	-	32,071,308	32,071,308
	42,354,167	28,704,132	66,145,163	26,885,946	78,627,284	242,716,692

At 1 September 2001

Assets	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	-	-	-	-	16	16
Due from banks	9,274,123	200,000	-	5,500,000	-	14,974,123
Due from customers	12,720,744	15,198,158	29,851,962	8,412,928	55,576,620	121,760,412
Debt securities	4,640	23,792	552,963	-	-	581,395
Other assets	8,119,999	74,484,899	-	-	7,064,282	89,669,180
Total assets	30,119,506	89,906,849	30,404,925	13,912,928	62,640,918	226,985,126
Liabilities and equity						
Due to banks	8,482,906	13,861,212	62,536,819	36,379,301	-	121,260,238
Due to customers	9,167,308	1,000	-	-	-	9,168,308
Liabilities from debt securities	250,621	781,591	11,795,380	-	-	12,827,592
Provisions	-	-	-	-	41,455,450	41,455,450
Other liabilities	7,148,291	534,576	-	2,653	2,307,946	9,993,466
Equity	-	-	-	-	32,280,072	32,280,072
	25,049,126	15,178,379	74,332,199	36,381,954	76,043,468	226,985,126

30 Total exposure to state and npf

	31 December 2002	31 December 2001	1 September 2002
	CZK million	CZK million	CZK million
Guarantees from State (note 20)	1,225	2,686	3,708
Receivable from State due to repayment of losses (note 10)	94,871	63,896	74,023
Total exposure to State	96,096	66,582	77,731
Guarantees issued by NPF (note 20) ¹⁾	14,007	34,776	35,103
Receivable from NPF due to repayment of losses of the subsidiaries (note 10)	2,008	8,874	6,826
Loan granted to NPF	7	22,217	26,217
Receivable from NPF due to 2002 loss of the Agency	1	-	-
Total exposure to NPF	16,023	65,867	68,146

¹⁾ As at 31 December 2002 guarantees issued by NPF include CZK 6,800,000,000 to cover the Agency's potential losses from asserted guarantee rights relating to selected assets of Komerční banka, a.s. (as at 31 December 2001 and 1 September 2001: CZK 20,000,000,000).

31 Subsequent events

(a) Preparation for the sale of a block of receivables due from parties involved in bankruptcy proceedings

The Board of Directors and Supervisory Board of the Agency has approved the sale of a block of receivables of nominal value CZK 63,000 million. The block of receivables will be sold in a public tender. The completion of the transaction is planned for July 2003. The management of the Agency expects proceeds from the sale to approximate the net book amount of the receivables.

(b) Proposal for final solution of offshore structures with respect to IPB's asset transfer from ČSOB to the Agency

Based on the Agreement with ČSOB the Agency prepares the settlement of the purchase of the offshore structures from ČSOB. The purchase should be realised by May 2003.

(c) Realised sales of receivables

The Agency has realised several sales of receivables after the year end 2002. There was not a significant net profit or loss realised from these sales.

(d) Planned sales of receivables

The Agency plans to realise several sales of receivables during the year 2003. The management of the Agency does not expect significant net profit or loss to be realised from these sales.

Statutory approvals

These financial statements have been approved for submission to the Supervisory Board by the Board of Directors and have been signed on their behalf by:

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
25 March 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

REPORT OF INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF ČESKÁ KONSOLIDAČNÍ AGENTURA

We have audited the accompanying consolidated balance sheet of Česká konsolidační agentura and its subsidiaries ("the Group") as at 31 December 2002, the related consolidated statements of income and changes in equity and consolidated notes, for the year then ended presented in the annual report of Česká konsolidační agentura ("the consolidated financial statements"). The consolidated financial statements and underlying accounting records are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

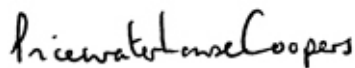
We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material 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 evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying consolidated financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Group as at 31 December 2002, and the results of its operations and its changes in equity for the year 2002 in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

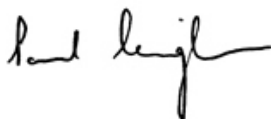
Without qualifying our opinion, we draw attention to Note 20 of the consolidated financial statements, which explains that the Konsolidační banka Praha, s. p. ú, the legal predecessor of Česká konsolidační agentura, has received an official interpretation of the relevant accounting legislation by the Ministry of Finance (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of Česká konsolidační agentura. In accordance with this interpretation, the Group has set aside within the statutory reserve fund, which forms part of the equity of the Group, an amount of CZK 21.4 billion to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses.

We have examined whether the supplementary financial information included in the annual report of the Group, which does not form part of the consolidated financial statements for the year ended 31 December 2002, is consistent with the audited consolidated financial statements of the Group. In our opinion, all other supplementary information included in the annual report is consistent with the audited consolidated financial statements in all material respects.


30 April 2003



PricewaterhouseCoopers Audit, s.r.o.
represented by



Paul Cunningham
Partner



Ing. Helena Vojáčková
Auditor, Licence No. 1910

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

Assets

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
1 Cash and deposits with central banks	12,395	13,380	8,101
2 Due from banks	53,806,592	32,594,569	15,269,625
a) repayable on demand	524,256	302,426	373,882
b) other receivables	53,282,336	32,292,143	14,895,743
3 Due from customers	81,075,666	112,446,322	113,224,656
a) repayable on demand	26,078	50,018	3,899
b) other receivables	81,049,588	112,396,304	113,220,757
4 Debt securities	1,101,703	3,105,996	981,398
a) issued by government institutions	-	-	-
b) issued by other entities	1,101,703	3,105,996	981,398
5 Shares, mutual shares and other interests	2,192,740	1,984,257	506,830
6 Participations reflected under the equity method	2,746,351	-	-
7 Unconsolidated equity investments	2,155,619	6,150,655	7,433,380
8 Intangible fixed assets	68,596	97,435	99,877
9 Tangible fixed assets	2,641,457	2,124,385	1,076,498
a) land and buildings for operating activities	1,825,033	1,595,555	975,771
b) other	816,424	528,830	100,727
10 Other assets	104,061,185	86,868,172	94,980,728
11 Prepayments and accrued income	8,823	21,894	641,789
Total assets	249,871,127	245,407,065	234,222,882

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

Liabilities

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
1 Due to banks	118,889,774	128,005,197	135,865,841
a) repayable on demand	10	-	-
b) other payables	118,889,764	128,005,197	135,865,841
2 Due to customers	30,135,541	28,699,229	9,096,894
a) repayable on demand	25,140,911	1,580,753	2,104,106
b) other payables	4,994,630	27,118,476	6,992,788
of which:			
ba) term accounts repayable on demand	4,744,728	2,643,538	1,254,382
3 Liabilities from debt securities	32,123,398	12,700,771	12,077,632
4 Other liabilities	1,014,333	398,495	1,038,162
5 Accruals and deferred income	107,678	11,965	2,875,282
6 Provisions	38,385,189	43,959,732	41,455,450
7 Share capital	5,950,000	5,950,000	5,950,000
8 Capital Reserves	76,637,233	54,528,345	38,610,224
9 Reserves and Revenue Reserves	32,053,925	38,788,738	35,733,014
a) reserves	32,616,357	38,766,915	35,712,209
b) own shares redemption reserve	-	-	-
c) other reserve funds	(581,366)	-	-
d) other funds from profit	18,934	21,823	20,805
10 Accumulated losses from previous periods	(121,002)	(48,479,617)	(48,479,617)
11 Loss for the accounting period	(86,665,668)	(19,155,790)	-
a) loss for the accounting period without minority interest on loss from equity method consolidation	(86,441,573)	-	-
b) share on loss from equity method consolidation	(224,095)	-	-
12 Minority equity	1,360,726	-	-
- minority share capital	897,364	-	-
- minority capital funds	27,167	-	-
- minority funds from profit	4,687	-	-
- minority accumulated losses from previous periods	(119,805)	-	-
- minority profit for the accounting period	551,313	-	-
Total liabilities	249,871,127	245,407,065	234,222,882

	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
30 April 2003	J. Liška L. Svoboda	L. Svoboda	D. Kouřimská

OFF-BALANCE SHEET AS AT 31 DECEMBER 2002

Assets

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
1 Commitments and guarantees given	10,994,586	39,342,894	39,091,232
a) commitments	552,212	5,295,002	6,912,718
b) guarantees and collaterals	10,354,887	34,047,892	32,178,514
c) guarantees from bills of exchange	87,487	-	-
2 Receivables from spot transactions with currency instruments	345,606	42,920	5,746
3 Receivables from term instruments	2,035,288	780,760	-
a) currency instruments	2,035,288	75,760	-
b) equity instruments	-	705,000	-
4 Receivables from option instruments with equity instruments	464,159	-	718,020
5 Receivables written-off	9,380,421	4,228,322	3,932,993
6 Securities in custody	3,670,052	1,816,962	1,007,972
Total off-balance sheet assets	26,890,112	46,211,858	44,755,963

Liabilities:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
1 Commitments and guarantees received	155,081,158	158,272,542	137,705,510
a) commitments	132,881,495	133,786,330	110,823,460
b) guarantees and collaterals	22,196,865	24,369,798	26,655,090
c) guarantees from bills of exchange	2,798	116,414	226,960
2 Collaterals received	54,656,097	14,167,270	13,443,077
a) real estate pledges	13,140,083	11,639,221	10,187,309
b) cash pledges	6,900	124,765	124,015
c) securities pledges	143,631	331,278	364,619
d) other	196,983	2,072,006	2,767,134
e) collaterals - securities	41,168,500	-	-
3 Payables from spot transactions with currency instruments	345,557	42,859	5,751
4 Payables from term instruments	2,035,780	777,518	-
a) currency instruments	2,035,780	72,518	-
b) equity instruments	-	705,000	-
5 Payables from option instruments with equity instruments	464,159	51	1,148,161
6 Assets under custody	1,320,288	1,219,434	1,006,985
of which: securities	-	340	-
Total off-balance sheet liabilities	213,903,039	174,479,674	153,309,484

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31
DECEMBER 2002**

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
1 Interest receivable and similar income	12,274,357	3,755,085
2 Interest payable and similar expense	(9,568,421)	(3,256,151)
3 Income from shares and other interests	2,224	-
4 Income from investments	34,820	-
5 Fee and commission income	151,884	14,782
6 Fee and commission expense	(85,857)	(5,198)
7 Gains less losses from financial transactions	(1,024,709)	(729,651)
8 Other operating income	5,183,183	1,869,259
of which: negative goodwill	78,560	-
9 Other operating expense	(10,042,797)	(5,779,845)
of which: positive goodwill	(579,838)	-
10 Administrative expense	(2,006,950)	(372,965)
11 Utilization of provisions for tangible and intangible fixed assets	628	-
12 Depreciation, additions to provisions for tangible and intangible fixed assets	(397,169)	(42,487)
13 Utilization of provisions for loans and guarantees, income from ceded receivables and income from receivables already written-off	92,298,232	11,859,273
14 Write-offs, additions to provisions for loans and guarantees	(145,378,977)	(25,991,413)
15 Utilization of provisions for participating interests with significant and controlling influence	6,511,806	648,400
16 Additions to provisions for participating interests with significant and controlling influence	(6,021,720)	(34,961)
17 Utilization of other specific provisions	147,334	16,301,718
18 Additions to other specific provisions	(29,500,281)	(17,204,000)
19 Extraordinary income	3,502,104	9,299
20 Extraordinary expenses	(1,969,951)	(196,935)
21 Share on losses from equity method consolidation	(224,095)	-
22 Minority profit for the year	(551,313)	-
23 Loss for the year	(86,665,668)	(19,155,790)

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
30 April 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2002**

	Share capital	Reserve funds and other funds from profit	Capital funds	Accumulated losses	Loss for the accounting period	Total equity
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
At 1 September 2001	5,950,000	35,733,014	38,610,224	(48,479,617)	-	31,813,621
Contribution to the Reserve fund - NPF, ČNB	-	4,893,988	-	-	-	4,893,988
Use of the Reserve fund	-	(1,837,515)	-	-	-	(1,837,515)
No consideration acquisition of securities	-	-	60	-	-	60
Claim for payments to cover 2001 loss - NPF, State	-	-	54,335,782	-	-	54,335,782
Covering the loss of the period from 1 January to 31 August 2001 from the Capital fund	-	-	(38,417,721)	-	-	(38,417,721)
Drawings from Welfare fund	-	(749)	-	-	-	(749)
Loss for the period from 1 September to 31 December 2001	-	-	-	-	(19,155,790)	(19,155,790)
At 31 December 2001	5,950,000	38,788,738	54,528,345	(48,479,617)	(19,155,790)	31,631,676
Effect of change of consolidation scope for the Group	-	(575,923)	31,546	(1,083,162)	-	(1,627,539)
Transfer of the loss of the period from 1 September to 31 December 2001 to accumulated losses	-	-	-	(19,158,430)	19,158,430	-
Covering 2001 loss from the Capital fund	-	-	(54,335,782)	54,335,782	-	-
Covering 2001 loss from the Reserve fund	-	(14,264,425)	-	14,264,425	-	-
No consideration acquisition of securities	-	-	648	-	-	648
Contribution to the Reserve fund - NPF, ČNB	-	8,109,012	-	-	(2,640)	8,106,372
Drawings from Welfare fund	-	(3,477)	-	-	-	(3,477)
Loss for the year 2002	-	-	-	-	(86,665,668)	(86,665,668)
Claim for payments to cover 2002 loss - NPF, State	-	-	76,412,476	-	-	76,412,476
At 31 December 2002	5,950,000	32,053,925	76,637,233	(121,002)	(86,665,668)	27,854,488

Date	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
30 April 2003	Ing. J. Liška Ing. L. Svoboda	Ing. L. Svoboda	D. Kouřimská

SUPPLEMENT TO FINANCIAL STATEMENT

1 GENERAL INFORMATION

The ČKA Group (“the Group”) consists of five companies and employs 2,054 people. The parent company of the Group is Česká konsolidační agentura (“the Agency” or “ČKA”). The other consolidated companies are Česká finanční, s.r.o. (“Česká finanční” or “ČF”), Konpo, s.r.o. (“Konpo”), PRISKO a.s. (“PRISKO”) and Spolek pro chemickou a hutní výrobu, akciová společnost (“Spolek”).

(a) Agency

The Agency was incorporated on 1 September 2001 in accordance with the Act No. 239/2001 on Česká konsolidační agentura as the legal successor of Konsolidační banka Praha, a State financial institution (hereafter “the Bank”).

The registered office of the Agency is Janovského 438/2, Prague 7.

The Agency administers receivables assumed and repurchased from commercial banks. Other core activities of the Agency include Revitalising and Restructuring Programs, the financing and support of large Czech companies’ important development projects, along with long term social projects and transportation, telecommunication, water and environmental infrastructure projects.

The Agency retains most of the scope of the original activities of the Bank, however, it does not retain the status of a bank. The Ministry of Finance of the Czech Republic (hereinafter “MF ČR”) has already issued an obligatory representation that liabilities of the Agency will be fully guaranteed by the State.

Following the transformation of the Bank, new members of statutory bodies were appointed with effect from 1 September 2001.

Members of the Board of Directors of the Agency as at 31 December 2002 and 2001:

	Appointed	Position
Pavel Řežábek	1 September 2001	Chairman and General Director
Jan Liška	5 September 2001	Member and Head of department
Zlata Gröningerová	1 September 2001	Member and Head of department
Libor Svoboda	1 September 2001	Member and Head of department
Jiří Jurán	5 September 2001	Member and Head of department from 1 October 2001

Members of the Supervisory Board of the Agency as at 31 December 2002 and 2001:

	Appointed	Position
Vlastimil Tlustý	1 September 2001	Chairman
Josef Hojdar	1 September 2001	Vice-Chairman
Vladimír Doležal	1 September 2001	Member
Milan Urban	1 September 2001	Member
Miloslav Vlček	1 September 2001	Member
Michal Doktor	1 September 2001	Member
Pavel Tollner	31 October 2001	Member
Pavel Pešek	22 October 2002	Member
Alfred Michalík	22 October 2002	Member

Libor Ježek was a member of the Supervisory Board from 1 September 2001 till 9 October 2002.

(b) Česká finanční

Česká finanční was entered in the Commercial Register (held by the City court in Prague, section C, no. 47185) on 2 July 1992 and its registered office is located at V Jámě 1263/6, Prague 1, 111 21.

Česká finanční's activities are as follows:

- Real estate activities – renting real estate;
- Administration of data, database services; and
- Administration management and other related services for corporate entities and entrepreneurs.

The Company's core activity is the administration of assets (i.e. loan receivables, securities and equity interests) taken over by the Company within the Programme of stabilising the banking sector in the Czech Republic, as approved on 16 October 1996 by Czech Government Resolution No. 539 (hereafter referred to as "the Stabilisation Programme"), and the Programme declared by the Czech National Bank ("ČNB"), primarily in connection with the mergers of smaller banks (hereinafter referred to as "the Consolidation Programme").

Consolidation Programme

The Consolidation Programme is financed by the ČNB. The losses generated within this Programme exceeding the Company's share capital are covered by the ČNB on the basis of an Agreement from 29 June 2000 ("Agreement on the repayment of the costs from operating activities and settlement of losses within the Consolidation Program").

Stabilisation Programme

Within the scope of the Stabilization Programme the Company bought assets at their book values from the participating banks. The participation of individual banks in the programme was approved by the ČNB. They accept the obligation to buy these assets back within the next 7 years (i.e. in 2004 – 2005). Guarantees in favour of ČF or other collaterals have been issued by each of the individual banks.

(c) KONPO

Konpo was incorporated on 25 January 2000 and has its registered office at Prague 1, Na Příkopě 390/3, 111 21. Konpo's business activities are:

- real estate activities;
- administrative and technical support services for corporate and sole entities.

The Company's core activity is the administration of assets (i.e. loan receivables, securities and equity interests) taken over by Komerční banka, a.s. ("KB") based on the Czech Government Resolution No. 187 from 16 February 2000.

All potential and actual losses of Konpo are covered by the Agency based on an Agreement concluded between the Bank (currently the Agency) and Konpo. The agreement covers items including the payment of costs and coverage of losses incurred by Konpo in relation to KB's asset restructuring operations performed in connection with the privatisation of KB. All potential and actual losses of Konpo are ultimately covered by the National Property Fund ("NPF") and repaid through the Agency. Therefore, Konpo and the Group only creates provisions for additions to administered assets caused by the posting of interest and penalty interest and for bankruptcies declared after the time of the transfer of assets from KB.

(d) PRISKO

PRISKO was incorporated on 1 October 1992, and has its registered office at Janovského 438/2, 170 00 Praha 7. PRISKO's business activity is the management and settlement of assets and liabilities relating to the privatised assets of Škoda Mladá Boleslav.

(e) SPOLEK

Spolek was registered in the commercial register on 31 December 1990, and has its registered office at Ústí nad Labem, Revoluční 1930/86. Spolek's business activities consist principally of research, development, production and manufacturing of chemical and biochemical products.

2 ACCOUNTING PROCEDURES FOR CONSOLIDATED FINANCIAL STATEMENTS

(a) Basis of preparation

The consolidated financial statements of the Group, comprising a balance sheet, statements of income and of changes in equity and accompanying notes, are prepared in accordance with the Act on accounting and the Chart of accounts and accounting rules for banks and other financial institutions prescribed by the Ministry of Finance of the Czech Republic. Accounts of consolidated subsidiaries which are based on the Chart of accounts and accounting procedures for non-financial institutions have been adjusted for material differences in comparison to the Chart of accounts and accounting rules for banks and other financial institutions. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments held for trading and available-for-sale to fair values.

The consolidated financial statements of the Group are prepared for the year ended 31 December 2002 and include the accounts of the Agency, all subsidiaries controlled by the Agency, and associated undertakings

owned by the Agency and its subsidiaries, other than those excluded for the reasons listed below. The amounts are rounded to thousands of Czech Crowns (CZK'000) unless stated otherwise.

Income statement comparative amounts represent the period from 1 September 2001 (inception of the Agency) to 31 December 2001.

In compliance with Czech accounting legislation, the Group did not perform full consolidation of certain subsidiary companies or equity consolidation of certain associated companies for the year ended 31 December 2002 for the following reasons:

- Businesses in bankruptcy or settlement proceedings, in liquidation or insolvent: Revitalizační Agentura, a.s., SANAKON, s.r.o., ČKD Dopravní systémy, a.s., Letov, a.s., Královopolská, a.s., VSM ČR, a.s. in liquidation, Baska, a.s. in liquidation, COOP BANKA, a.s. in liquidation, Ekoagrobanka, a.s. in liquidation, Banka Bohemia, a.s. in liquidation, H-SYSTEM a.s., H-SYSTEM LUXUS a.s., 1.českoamerická realitní společnost, a.s. in liquidation and ČKD Praha Holding, a.s.;
- Companies for which the management of the Group expects the shares to be transferred, or a sale process has already been initiated or will commence during 2003: IPB Real, a.s., Škoda TS, a.s.

Prior to 1 January 2002 the requirements of Czech accounting legislation for certain subsidiaries to be consolidated and associates to be equity accounted were different. For the period from 1 September 2001 to 31 December 2001 the Group did not consolidate:

- Spolek pro chemickou a hutní výrobu, a.s.

Similarly the Group did not equity account for:

- 1. česko-ruská banka, s.r.o.
- AERO Vodochody, a.s.
- České Aerolinie, a.s.
- KORADO, a.s.
- PVT, a.s.
- Škoda Holding, a.s.
- VZLÚ, a.s.

Subsidiary companies included in the Group consolidation are fully consolidated. In accordance with the Czech rules for full consolidation, the following steps have been taken:

- Items in the separate financial statements of the consolidated companies were combined on a line-by-line basis;
- Items treated differently in consolidated subsidiaries were reclassified in accordance with the defined consolidation rules so as to be in accordance with the Agency's accounting policies;
- Consolidated subsidiaries' recognition, measurement and disclosure policies which are materially different to the Agency's accounting policies were adjusted on consolidation;
- Unrealised surpluses and deficits on transactions between Group companies have been eliminated;
- All significant intergroup balances and transactions were eliminated.

Associated companies included in the Group consolidation are reflected using the equity method.

(b) Foreign currency

Financial assets and liabilities of the Group denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the ČNB effective at the balance sheet date. All resulting foreign exchange gains and losses are recognised in gains less losses from financial transactions.

(c) Fair value of securities

The fair value of a security is determined as the market value quoted by a relevant stock exchange or other active public market. In other cases the fair value is estimated by:

- the share on the investee's equity for equities;
- the risk adjusted net present value for debt securities and notes.

(d) Trading securities

Trading securities were either acquired for generating profit from short-term fluctuations in price or dealer's margin, or included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost, which includes expenses incurred in connection with their acquisition, and they are further measured at fair value. All related gains and losses are included in gains less losses from financial transactions. Spot purchases and sales are recognised on a settlement date basis. Forward trades are treated as derivatives. Interest earned on trading securities is reported as interest income on securities.

(e) Available-for-sale investment securities

Available-for-sale investment securities are neither trading securities nor securities held to maturity. They comprise mainly shares in companies other than in subsidiaries and associates and debt securities held for liquidity management. Available-for-sale securities are measured in the same way as trading securities.

For the companies Konpo and Česká finanční all realised losses from securities are covered by guarantees issued by ČNB or NPF. As a result the purchase price of available-for-sale securities held by those companies is the same as the fair value of the securities.

(f) Investment securities held-to-maturity

Investment securities held-to-maturity are securities with fixed maturity where the Group has both the intent and the ability to hold them to maturity.

They are measured at amortised cost.

(g) Transfers between portfolios

Transfers between portfolios are generally allowed if management intentions are changed, except as follows:

- trading securities cannot be transferred;
- on sale or transfer of any securities held-to-maturity, the Group must transfer the rest of the portfolio of securities held-to-maturity to available-for-sale securities and no securities can be classified as held-to-maturity within the two following accounting periods.

Exceptions to this rule are allowed within the last three months before maturity or in the case of a significant deterioration in an issuer's creditworthiness.

(h) Investments in subsidiary and associated undertakings

A subsidiary undertaking is an entity in which the Group, directly or indirectly, has the power to exercise control over the financial and operating policies.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and, once such subsidiaries have been consolidated, are no longer consolidated from the date of disposal. As explained in Note 2(a), certain companies have not previously been consolidated and are still not consolidated, since they are in bankruptcy proceedings, in liquidation, insolvent or a sale process has been initiated or is expected to be initiated during 2003.

Associated undertakings are undertakings over which the Group has significant influence, but which it does not control and were accounted for using the equity method.

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 on acquisitions of subsidiaries and associated undertakings is fully amortised upon acquisition.

Investments of the Group in subsidiary and associated undertakings not meeting the criteria for full consolidation or equity accounting (for reasons of non-consolidation refer to Note 2(a)) are measured at the lower of cost and the Group's share of the net equity of the unconsolidated subsidiary or associated undertakings. Provisions are made for any impairment.

(i) Securities financing arrangements

Securities borrowed or purchased under agreements to resell (resale or reverse repo agreements) are not recognised on the balance sheet. Securities lent or sold under agreements to repurchase (repo agreements) are retained in their original portfolio. The underlying cashflows are recorded as loans and borrowings respectively on a settlement date basis.

(j) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised on balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash-flow models or options pricing models as appropriate. All derivatives are presented in other assets or in other liabilities of the Group when their fair value is positive or negative respectively.

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.

Changes in the fair value of derivatives held for trading are included in Gains less losses from financial transactions.

(k) Interest income and expense

Interest income and expense are recognised for all interest bearing instruments on an accrual basis using the effective yield method based on the acquisition cost. Interest income includes accrued coupons, discount and premium on all fixed income instruments.

Income on non performing loans is also accrued and capitalised into the related loan balance. Such amounts are considered in estimating the provision for non-performing loans.

(l) Penalty interest

Penalty interest income is suspended or forgiven and excluded from interest income until received.

(m) Fee and commission income

Fixed fee income for the arrangement of loans, guarantees and other activities is recognised immediately, whereas commission is accrued over the period to maturity.

(n) Provisions and allowances

Specific provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. In addition, general provisions for banking risk recorded prior to 1 January 2002 are recognised in the balance sheet, however, these must be utilised or written back to income by 31 December 2005. All provisions are presented in liabilities.

Allowances are deducted from the cost of each impaired asset. The amount of allowance for impaired loans and other assets is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral. The market in the Czech Republic for many collaterals is at an early stage of development and there is a low level of liquidity for certain types of assets. As a result, the realisable value on foreclosure may differ from the value described in estimating allowances.

In the estimation of impairment and related specific and general provisions, the Group takes into account the net value of various covenants, guarantees and loss compensation arrangements provided by third parties. When creating specific provisions for loans for working capital finance, the partial coverage provided by the special-purpose reserve fund and general provisions is taken into consideration as disclosed in Note 20.

(o) Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at cost. Fixed assets are depreciated/amortised by applying the straight-line basis over the estimated useful lives resulting in the following annual rates:

Buildings and constructions	30 years
Hardware and equipment	4 years
Furniture and fittings	6 years
Motor vehicles	4 years
Software	4 years

Repair and maintenance expenditures are charged to expenses as incurred. Expenditures enhancing the value of the asset are capitalised and depreciated.

Assets held under finance lease agreements are not capitalised and are accounted for in the same way as operating leases, with rental charges being reflected in the income statement on a straight-line basis. Neither is the corresponding lease obligation recorded as a liability.

(p) Taxation

The tax payable of the Group is stated in compliance with the relevant legislation of the Czech Republic. The Agency's income is exempted from corporate income tax, therefore current tax is not recognised by the Agency.

(r) Deferred taxation

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method, except that deferred tax asset is only recognised to the extent that it is probable that future taxable profit will be available against which this asset can be utilised.

The Agency does not recognise deferred tax due to its exemption from corporate income tax, however deferred tax is recognised by other Group companies where relevant.

(s) Related parties

Related parties are defined as follows:

- board members, senior management of companies included in the Group and their relatives;
- corporates where board members, senior management or corporates controlling companies included in the Group own at less a 10% shareholding;
- shareholders holding more than 10% of companies included in the Group and corporates controlled by them;
- non-consolidated subsidiaries of the Group.

(t) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of signing the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions that existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to signing of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

In accordance with the Czech consolidation rules, the consolidation of the Group was prepared based on the statutory accounts of consolidated companies. In particular, as a result, no account is taken of subsequent events which occurred after the date of signing of the holding company's financial statements.

(u) Extraordinary items and changes in accounting policy

Extraordinary items include one-off effects of events outside the scope of the Group's activities and effects of changes in accounting policies.

Changes in accounting policies have been adopted by the Group prospectively, therefore comparative financial information has not been restated.

The changes in accounting policies affected the income statement for the year 2002 as follows:

	CZK'000
Equity as at 1 January 2002 (as previously reported)	31,631,676
Effects of changes in accounting policies included in retained earnings or accumulated loss of previous periods or other equity accounts:	
- Effect of equity accounting for associates	(1,589,071)
- Effect of change of consolidation scope for the Group	(38,468)
Pro-forma equity as at 1 January 2002 (reflecting these effects)	30,004,137
Effects of changes in accounting policies included in extraordinary items:	
- Release of provisions for securities and remeasurement of securities to fair value where exceeded cost	2,113,119
- Remeasurement of securities to fair value where fair value less than cost	(1,860,552)
	30,256,704

There have been changes in accounting policies since 1 January 2002 as follows:

(i) Certain associated companies have been included in the Group consolidation using the equity method in 2002 as a result of changes of accounting rules for consolidation. Companies not included in the Group consolidation in 2001 but included in 2002 are listed below:

- 1. česko-ruská banka, s.r.o.
- AERO Vodochody, a.s.
- České Aerolinie, a.s.
- KORADO, a.s.
- PVT, a.s.
- Škoda Holding, a.s.
- VZLÚ, a.s.

(ii) Certain subsidiaries have been included in the Group consolidation in 2002 as a result of changes of accounting rules for consolidation. Spolek pro chemickou a hutní výrobu, a.s. was not included in the Group consolidation in 2001.

(iii) Trading securities and available-for-sale investment securities were remeasured at fair value. The resulting difference is presented as extraordinary income or expense.

(iv) Purchased own bonds are deducted from issued debt securities. The difference between cost and nominal value including accrued interest is amortised into gains less losses from financial transactions. Accrued interest is amortised in the interest expense on debt securities. This change had no material impact as at 1 January 2002.

(v) Transaction costs (e.g. commissions and fees of brokers, advisors or stock exchanges) are included in the cost of purchased securities. No restatement has been made for the cost of securities as at 31 December 2001 (which excluded such costs) therefore the change had no retrospective impact on the income statement or equity. The increase of acquisition costs during the year was not material and was largely offset on remeasurement.

3 CASH AND DEPOSITS WITH CENTRAL BANKS

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Cash on hand	12,395	8,786	8,085
Current accounts with central banks	-	4,594	16
	12,395	13,380	8,101

4 DUE FROM BANKS

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Current accounts with banks	524,256	302,426	373,882
Term deposits with banks and central banks	6,591,210	24,691,204	9,395,743
Standard loans to banks	5,500,000	5,500,000	5,500,000
Receivables from REPO transactions	41,191,126	2,100,707	-
Other due from banks	405,641	232	-
	54,212,233	32,594,569	15,269,625
Allowance for impairment (Note 13)	(405,641)	-	-
	53,806,592	32,594,569	15,269,625

5 DUE FROM CUSTOMERS

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Standard loans to companies and individuals	4,769,272	5,053,729	4,516,311
Impaired loans to companies and individuals	162,337,774	136,487,480	121,114,164
Standard loans to housing co-operatives ¹⁾	10,423,460	11,500,693	11,978,846
Impaired loans to housing co-operatives ¹⁾	2,740	2,719	2,791
Standard loans to governmental entities	3,624,171	24,379,361	28,017,018
Impaired loans to governmental entities	18,481	94,816	92,881
Standard loans to municipalities	2,774	5,747	-
Impaired loans to municipalities	264,876	341,770	336,527
Other receivables from customers	27,282,243	43,579	-
Loans within the Consolidation and Stabilisation Programs	15,361,181	30,414,997	32,535,532
	224,086,972	208,324,891	198,594,070
Allowance for impaired loans (Note 13) ²⁾	(143,011,306)	(95,878,569)	(85,369,414)
	81,075,666	112,446,322	113,224,656

¹⁾ In its portfolio the Agency has loans granted to housing co-operatives. These loans were acquired from Investiční a Poštovní banka, a.s. (hereinafter "IPB"). The difference between the funding cost and interest income is compensated by MF ČR.

²⁾ In addition to the specific allowances for impaired loans, the Agency has reflected a general provision for loans of CZK 5,593,304,000 as at 31 December 2002 (31 December 2001: CZK 10,039,293,000 and 1 September 2001: CZK 6,270,293,000) in liabilities as required by Czech accounting regulations (note 13).

A statutory reserve fund is used to cover expected losses of CZK 21,395,462,000 (31 December 2001: CZK 24,416,505,000 and 1 September 2001: CZK 24,620,910,000) from the old block of loans. In the period from 1 January to 31 December 2002 losses of CZK 3,021,043,000 from assigned and written off old block of loans were covered by from reserve fund (in the period from 1 September to 31 December 2001: CZK 204,405,000 (note 20)).

The Agency took over loans from Československá obchodní banka, a.s. (hereinafter "ČSOB") in the period from 1 January to 31 December 2002 of CZK 80,350,000,000 in accordance with the Agreement with ČSOB (see note 21) and other agreements. The Agency created allowances of CZK 65,927,500,000 against these.

In connection with the creation of these allowances the Group released specific provisions totalling CZK 28,258,000,000 that were created for the purpose of covering the risk of loss from the portfolio taken over in 2001 (i.e. a net increase in 2002 of CZK 37,669,500,000).

(a) Quality of loan portfolio

Loans are categorised in accordance with the definitions issued by the ČNB in five categories (standard, watch, substandard, doubtful, loss). Impaired loans include substandard, doubtful and loss loans and represent total outstanding principal and accrued interest receivable with service payments overdue more than 90 days or other defaults in contractual terms or financial performance.

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Standard	18,872,510	40,983,109	44,512,175
Watch	1,702,742	563,789	319,868
Substandard	4,883,768	1,541,739	3,241,719
Doubtful	9,713,779	2,208,749	3,263,153
Loss	188,914,173	163,027,505	147,257,155
	224,086,972	208,324,891	198,594,070

The forced sale value ascribed to assets received as collateral for loans to customers can be analysed as follows:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Cash	6,900	124,765	124,015
Securities	41,312,131	331,278	364,619
of which: under reverse repo	41,168,500	-	-
Land and buildings	13,140,083	11,639,221	10,187,309
Other fixed assets	196,983	2,072,006	2,767,134
	54,656,097	14,167,270	13,443,077

Assets received as collateral for loans to clients do not include collateral for loans within the Consolidation and Stabilisation Programs.

(b) Loans to unconsolidated related parties

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Unconsolidated subsidiary undertakings:			
Loans to subsidiaries	597,586	2,992,834	-
Allowance for impaired loans (Note 13)	(63,357)	(2,193,449)	-
	534,229	799,385	-
Unconsolidated associated undertakings:			
Loans to associated parties	9,355,318	4,923,954	8,472,669
Allowance for impaired loans (Note 13)	(7,731,409)	(1,133,104)	(3,207,013)
	1,623,909	3,790,850	5,265,656
Other related parties:			
Boards of Directors (Statutory representatives) of the companies of the Group	-	250	274
Management of companies of the Group	270	330	940
Total loans to related parties	270	580	1,214

All loans to unconsolidated related parties were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers or employees. Based on certain Government decisions, loans were also granted to selected companies in order to improve their financial position.

Loans to unconsolidated subsidiaries have been provided based on an assessment of the suitable loan structure of the ČKA Group. The interest rates on loans provided were on an arm's length basis. All risks associated with the loans provided to subsidiaries are covered by the NPF guarantee (note 21).

6 SYNDICATE LOANS

At 31 December 2002, 31 December 2001 and 1 September 2001 the Group led no syndicated loans.

7 SECURITIES

	Bonds and similar debt securities			Shares and similar equity securities		
	31 December 2002	31 December 2001	1 September 2001	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Trading	-	2,710,741	581,395	-	-	-
Available-for-sale	1,101,703	395,255	400,003	2,192,740	1,984,257	506,830
Held-to-maturity	-	-	-	-	-	-
Total	1,101,703	3,105,996	981,398	2,192,740	1,984,257	506,830

(a) Trading securities

Bonds and similar debt securities

The Group had no bonds and similar debt securities in the trading portfolio as at 31 December 2002.

At 31 December 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	619,359	2,764,487
Free market of recognised stock exchanges	2,747,993	-
Accrued interest on bonds	416,647	-
	3,783,999	2,764,487
Allowances for unrealised losses (Note 13)	(1,073,258)	2,710,741
	2 710 741	

At 1 September 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	1,121,942	719,805
Free market of recognised stock exchanges	145,410	-
Accrued interest on bonds	346,117	-
	1,613,469	719,805
Allowances for unrealised losses (Note 13)	(1,032,074)	
	581,395	

Net cost represents acquisition cost excluding any recognised transaction costs.

Bonds and other securities with fixed income in the trading portfolio as at 31 December 2001 include CZK 611 million of securities bearing a fixed interest till maturity which represents 22.5% of the total balance (as at 1 September 2001: CZK 581 million which represents 100% of the total balance).

The Group had no securities issued by unconsolidated subsidiaries or associated companies in its trading portfolio as at 31 December 2002, at 31 December 2001 and at 1 September 2001.

(b) Securities available-for-sale

Shares and similar equity securities

At 31 December 2002

	Fair value
	CZK'000
Main or auxiliary market of recognised stock exchanges	94,789
Free market of recognised stock exchanges	137,943
Unquoted	1,960,008
	2,192,740

At 31 December 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	593,803	473,748
Free market of recognised stock exchanges	54,605	51,262
Unquoted	1,537,566	1,469,956
	2,185,974	1,994,966
Allowances for unrealised losses (Note 13)	(201,717)	
	1,984,257	

At 1 September 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	65,820	65,820
Unquoted	485,032	441,010
	550,852	506,830
Allowances for unrealised losses (Note 13)	(44,022)	
	506,830	

Bonds and similar debt securities

At 31 December 2002

	Fair value
	CZK'000
Free market of recognised stock exchanges	1,003,745
Unquoted	97,958
	1,101,703

At 31 December 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	394,533	392,264
Free market of recognised stock exchanges	46,758	5,493
Unquoted	537,451	-
	978,742	397,757
Allowances for unrealised losses (Note 13)	(583,487)	
	395,255	

At 1 September 2001

	Net cost	Market value
	CZK'000	CZK'000
Main or auxiliary market of recognised stock exchanges	400,003	401,089
Allowances for unrealised losses (Note 13)	-	
	400,003	

The Group had no securities held-to-maturity as at 31 December 2002.

At 31 December 2001 and 1 September 2001

	Net cost	Market value
	CZK'000	CZK'000
Unquoted	1,001,231	-
Allowances for unrealised losses (Note 13)	(1,001,231)	-
	-	

8 PARTICIPATIONS REFLECTED UNDER THE EQUITY METHOD

At 31 December 2002

Name, registered office	At cost	Nominal value	Share capital	Share	Share of net equity under equity method	Share profits/losses under equity method
	CZK'000	CZK'000	CZK'000	%	CZK'000	CZK'000
České aerolinie, a.s., Praha	2,052,930	946,170	2,735,510	34.59	587,478	(27,611)
VZLÚ, a.s., Praha	236,219	236,219	750,968	31.46	262,692	(3,518)
AERO Vodochody, a.s., Odolena Voda	1,602,342	780,606	2,691,926	29.00	-	-
ŠKODA HOLDING a.s., Praha	1,667,667	1,050,670	2,171,000	48.40	790,532	(216,989)
KORADO, a.s., Česká Třebová	86,183	287,700	840,700	34.22	146,682	2,412
PVT, a.s., Praha	1,289,571	290,169	784,035	37.01	801,849	(36,899)
První česko-ruská banka, s.r.o., Moskva	227,623	163,176	335,332	48.66	157,118	58,510
					2,746,351	(224,095)

No participations were reflected under the equity method at 31 December 2001 and 1 September 2001 (Note 2(a)).

9 UNCONSOLIDATED EQUITY INVESTMENTS

	31 December 2002	31 December 2001	1 September 2002
	CZK'000	CZK'000	CZK'000
Subsidiary undertakings			
Cost	2,168,459	5,476,597	1,882,894
Allowances for diminution in value (Note 13)	(941,798)	(3,863,703)	(270,000)
Net	1,226,661	1,612,894	1,612,894
Associated undertakings			
Cost	5,331,942	7,529,876	13,019,743
Allowances for diminution in value (Note 13)	(4,402,984)	(2,992,115)	(7,199,257)
Net	928,958	4,537,761	5,820,486
	2,155,619	6,150,655	7,433,380

(a) Investments in unconsolidated subsidiary undertakings

At 31 December 2002

Name, registered office	At cost	Nominal value	Share capital	Share
	CZK'000	CZK'000	CZK'000	%
Revitalizační agentura, a.s., v likvidaci, Praha	270,000	270,000	270,000	100.00
VSM ČR, a.s. v likvidaci, Praha	545	500	1,000	50.00
IBP Real, a.s., Praha	1,114,555	1,000,000	1,000,000	100.00
SANAKON, s.r.o. v likvidaci, Praha	104	100	100	100.00
ŠKODA TS, a.s., Plzeň	118,000	118,000	186,000	63.44
Baska, a.s. v likvidaci, Praha	100,787	570,500	570,500	100.00
COOP Banka, a.s. v likvidaci, Brno	500,000	500,000	501,000	99.80
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	500,011	501,200	99.76
Banka Bohemia, a.s. v likvidaci, Praha	5	524,300	800,290	65.51
COLORLAK, a.s., Staré Město	48,435	48,434	187,894	25.78
Synpo, a.s., Pardubice	12,017	26,851	51,071	52.58
Epispol, a.s., Ústí nad Labem	2,000	2,000	2,000	100.00
Ostalak, a.s. v konkurzu, Ústí nad Labem	1,000	1,000	1,000	100.00
Spolchemie, a.s., Ústí nad Labem	1,000	1,000	1,000	100.00
	2,168,459			
Allowances for unrealised losses (Note 13)	(941,798)			
	1,226,661			

At 31 December 2001

Name, registered office	At cost	Nominal value	Share capital	Share
	CZK'000	CZK'000	CZK'000	%
Revitalizační agentura, a.s. v likvidaci, Praha	270,000	270,000	270,000	100.00
VSM ČR a.s. v likvidaci, Praha	545	500	1,000	50.00
Zetor, a.s., Brno	3,593,158	4,046	4,139	97.74
Baska, a.s. v likvidaci, Praha	100,787	570,500	570,500	100.00
COOP Banka, a.s. v likvidaci, Brno	500,000	500,000	501,000	99.80
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	500,011	501,200	99.76
Banka Bohemia, a.s. v likvidaci, Praha	5	524,300	800,290	65.51
Spolek pro chemickou a hutní výrobu, a.s., Ústí nad Labem	939,440	1,042,004	1,939,408	53.73
COLORLAK, a.s., Staré Město	72,651	72,651	187,894	38.67
	5 476,597			
Allowances for unrealised losses (Note 13)	(3,863,703)			
	1,612,894			

At 1 September 2001

Name, registered office	At cost	Nominal value	Share capital	Share
	CZK'000	CZK'000	CZK'000	%
Revitalizační agentura, a.s. v likvidaci, Praha	270,000	270,000	270,000	100.00
Baska, a.s. v likvidaci, Praha	100,787	570,500	570,500	100.00
COOP Banka, a.s. v likvidaci, Brno	500,000	500,000	501,000	99.80
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	500,011	501,200	99.76
Banka Bohemia, a.s. v likvidaci, Praha	5	524,300	800,290	65.51
Spolek pro chemickou a hutní výrobu, a.s., Ústí nad Labem	939,440	1,042,004	1,939,408	53.73
COLORLAK, a.s., Staré Město	72,651	72,651	187,894	38.67
	1,882,894			
Allowances for unrealised losses (Note 13)	(270,000)			
	1,612,894			

Summary financial information for unconsolidated subsidiary undertakings

At 31 December 2002 and for the year 2002

Name	Subsidiary financial data				
	Net book amount	Equity	Total assets	Revenues	Profit/(loss) before tax
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Revitalizační agentura, a.s., v likvidaci ¹⁾	-	20,760	32,237	484,862	(5,418)
VSM ČR a.s. v likvidaci ²⁾	-	975	1,010	-	(31)
IPB REAL, a.s.	557,302	553,331	2,402,091	694,494	10,924
SANAKON, s.r.o. v likvidaci	104	109	162	-	(301)
ŠKODA TS, a.s.	5,000	254,298	1,073,963	1,531,840	32,000
Baska, a.s. v likvidaci ³⁾	100,787	-	-	-	-
COOP Banka, a.s. v likvidaci	500,000	(2,751,975)	122,357	665,153	28,062
Ekoagrobanka, a.s. v likvidaci	11	(7,171,185)	18,388	1,605,961	109,463
Banka Bohemia, a.s. v likvidaci	5	(16,658,602)	23	5,948	(758,375)
COLORLAK, a.s.	48,435	232,132	406,506	455,455	25,457
Synpo, a.s.	12,017	67,945	85,469	91,682	500
Epispol, a.s.	2,000	2,005	2,007	7	6
Ostalak, a.s. v konkurzu ⁴⁾	-	-	-	-	-
Spolchemie, a.s.	1,000	638	638	2	(340)
	1,226,661				

Notes: Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2002, unless stated otherwise.

¹⁾ The company's financial statements were only available unaudited as at 30 September 2002.

²⁾ The company's financial statements were only available unaudited as at 31 December 2000.

³⁾ The company's financial statements are not available, deletion from the Commercial Register proposed.

⁴⁾ The company's financial statements are not available, the company has been in bankruptcy proceedings since 1998.

At 31 December 2001 and for the period from 1 September 2001 to 31 December 2001

Name	Subsidiary financial data				
	Net book amount	Equity	Total assets	Revenues	Profit/(loss) before tax
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Revitalizační agentura, a.s.	-	26,178	35,564	8,490	(10,348)
VSM ČR, a.s. v likvidaci ¹⁾	-	975	1,010	-	(31)
Zetor, a.s.	-	(2,237,636)	3,589,071	1,761,705	(631,070)
Baska, a.s. v likvidaci ²⁾	100,787	-	-	-	-
COOP Banka, a.s. v likvidaci	500,000	(2,780,037)	284,118	252,229	26,082
Ekogrobanka, a.s. v likvidaci	11	(7,279,448)	13,388	841,415	85,580
Banka Bohemia, a.s. v likvidaci	5	(15,900,160)	783,343	71,149	(2,610,453)
COLORLAK, a.s.	72,651	206,673	401,368	498,997	8,496
Spolek pro chemickou a hutní výrobu, a.s.	939,440	1,744,004	2,812,635	4,293,450	170,747
	1,612,894				

Note: Data has been drawn from the companies' audited financial statements as at 31 December 2001, unless stated otherwise.

¹⁾ The company's financial statements were only available unaudited as at 31 December 2000.

²⁾ The company's financial statements are not available, deletion from the Commercial Register proposed.

(b) Investments in unconsolidated associated undertakings

At 31 December 2002

Name, registered office	At cost	Nominal value	Share capital	Share
	CZK'000	CZK'000	CZK'000	%
a) shares:				
Letov, a.s., Praha	565,829	565,829	1,798,833	31.46
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40,597	462,218	925,989	49.92
KRÁLOVOPOLSKÁ, a.s., Brno	208,434	208,435	954,121	21.85
ČKD PRAHA HOLDING, a.s., Praha ²⁾	3,866,582	3,866,582	8,144,968	47.47
1. česko-americká realitní společnost a.s. v likvidaci, Praha	99,000	99,000	463,200	21.37
H-systém a.s., v konkurzu, Praha	438,100	432,760	1,738,501	24.89
H-Systém Luxus, a.s., Praha	112,900	109,000	439,800	24.78
b) contributions:				
Bankovní fond penzijního nadlepení, Praha ¹⁾	500	500	25,500	1.96
	5,331,942			
Allowances for unrealised losses (Note 13)	(4,402,984)			
	928,958			

¹⁾ Bankovní fond penzijního nadlepení is an associated company of the Group through the Group's managerial rights.

²⁾ The company's financial statements were only available unaudited as at 31 October 2002. The company is in the process of settlement of its assets and liabilities.

At 31 December 2001

Name, registered office	At cost	Nominal value	Share capital	Share
	CZK'000	CZK'000	CZK'000	%
a) shares:				
České aerolinie, a.s., Praha	2,052,930	946,170	2,735,510	34.59
Letov, a.s., Praha	565,829	565,829	1,798,833	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236,219	236,219	750,968	31.46
AERO Vodochody, a.s., Odolena Voda	1,602,342	780,606	2,691,926	29.00
ŠKODA HOLDING a.s., Praha	1,667,340	1,050,330	2,171,000	48.38
KORADO, a.s., Česká Třebová	86,183	287,700	840,700	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40,597	462,068	925,989	49.90
WALTER, a.s., Praha	627,883	1,452,545	3,163,689	45.91
H-Systém, a.s., Praha	438,100	432,760	1,738,501	24.89
H-Systém Luxus, a.s., Praha	112,900	109,000	439,800	24.78
1. česko-americká realitní společnost, a.s. v likvidaci, Praha	99,000	99,000	463,200	21.37
b) contributions:				
SANAKON, s.r.o., Praha	53	49	100	49.00
Bankovní fond penzijního nadlepení, Praha ¹⁾	500	500	25,500	1.96
	7,529,876			
Allowances for unrealised losses (Note 13)	(2,992,115)			
	4,537,761			

¹⁾ Bankovní fond penzijního nadlepení is an associated company of the Group through the Group's managerial rights.

At 1 September 2001

Name, registered office	At cost	Nominal value	Share capital	Share
	CZK'000	CZK'000	CZK'000	%
a) shares:				
Zetor, a.s., Brno	3,558,742	2,070	4,139	50.00
České aerolinie, a.s., Praha	2,052,930	946,170	2,735,510	34.59
Letov, a.s., Praha	565,829	565,829	1,798,833	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236,219	236,219	750,968	31.46
AERO Vodochody, a.s., Odolena Voda	1,602,342	780,606	2,691,926	29.00
TATRA, a.s., Kopřivnice	1,202,694	2,586,673	5,174,382	49.99
ŠKODA HOLDING a.s., Praha	1,666,980	1,050,000	2,171,000	48.36
SPOLANA, a.s., Neratovice	728,791	2,376,671	4,998,494	47.55
KORADO, a.s., Česká Třebová	86,183	287,700	840,700	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40,597	462,068	925,989	49.90
WALTER, a.s., Praha	627,883	1,452,545	3,163,689	45.91
H-Systém, a.s., Praha	438,100	432,760	1,738,501	24.89
H-Systém Luxus, a.s., Praha	112,900	109,000	439,800	24.78
1. česko-americká realitní společnost, a.s. v likvidaci, Praha	99,000	99,000	463,200	21.37
b) contributions:				
SANAKON, s.r.o., Praha	53	49	100	49.00
Bankovní fond penzijního nadlepení, Praha ¹⁾	500	500	25,500	1.96
	13,019,743			
Allowances for unrealised losses (Note 13)	(7,199,257)			
	5,820,486			

¹⁾ Bankovní fond penzijního nadlepení is an associated company of the Group through the Group's managerial rights.

10 INTANGIBLE AND TANGIBLE FIXED ASSETS

(a) Intangible fixed assets

	1 September 2001	31 December 2001	Additions	Disposals	31 December 2002
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Cost	274,972	292,949	261,706	24,009	530,646
Accumulated amortisation	(175,095)	(195,514)	(286,317)	19,781	(462,050)
Net book amount	99,877	97,435			68,596

Intangible assets consist of software.

(b) Operating tangible fixed assets

	1 September 2001	31 December 2001	Additions	Disposals	31 December 2002
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Cost					
Land	38,770	37,522	501,461	40,720	498,263
Buildings	1,075,479	1,708,542	1,254,248	614,476	2,348,314
Equipment	292,381	307,018	2,348,446	69,426	2,586,038
Other	20,184	20,185	134,435	15,744	138,876
	1,426,814	1,073,267	4,238,590	740,366	5,571,491
Accumulated depreciation					
Buildings	(138,478)	(150,509)	(1,485,511)	614,476	(1,021,544)
Equipment	(222,417)	(226,059)	(2,045,710)	69,448	(2,202,321)
Other	(16,307)	(16,698)	(11,860)	15,051	(13,507)
	(377,202)	(393,266)	(3,543,081)	698,975	(3,237,372)
Net book amount	1,049,612	1,680,001			2,334,119

(c) Non-operating fixed assets

	1 September 2001	31 December 2001	Additions	Disposals	31 December 2002
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Cost					
Land	191	41,812	145,751	137,962	49,601
Buildings	32,797	409,153	1,303,706	1,446,606	266,253
Equipment	5,613	5,609	14	104	5,519
Other	1,055	1,055	-	-	1,055
	39,656	457,629	1,449,471	1,584,672	322,428
Accumulated depreciation					
Buildings	(6,821)	(7,185)	(556,770)	555,194	(8,761)
Equipment	(5,716)	(5,827)	(528)	255	(6,100)
Other	(233)	(233)	-	4	(229)
	(12,770)	(13,245)	(557,298)	555,453	(15,090)
Net book amount	26,886	444,384			307,338

Non-operating tangible assets include assets transferred from ČSOB, in accordance with the Agreement with ČSOB (Note 21).

The Group held assets under finance lease contracts with a cost of CZK 3,142,000 as at 31 December 2002 (at 31 December 2001: CZK 2,583,000).

The Group did not recognise any assets under charge as security over its liabilities or liabilities of third parties as at 31 December 2002, at 31 December 2001 and at 1 September 2001.

11 OTHER ASSETS

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Receivables from State due to:			
- loss of the Bank from 1999	-	12,089,207	36,089,207
- loss of the Bank for the period from 1 January to 31 August 2001	4,733,839	35,683,988	37,933,839
- loss of the Agency for the period from 1 September to 31 December 2001	13,872,614	16,122,466	-
- loss of the Agency for the year 2002	76,264,420	-	-
	94,870,873	63,895,661	74,023,046
Receivable from NPF due to 2002 loss of the Group	2,009,038	8,873,582	6,825,715
Receivables from unsettled securities transactions	375,210	759,910	54,910
Advances granted	42,616	28,298	27,784
Clearing accounts for foreign currency operations	49	3,303	-
Settlement clearance accounts - debit balances	570,043	484,866	837,440
Estimated receivables	1,317,130	14,892	148,141
Other receivables	8,578,621	15,076,608	14,358,708
Derivatives (Note 30(c))	479,436	-	-
Inventories	340,241	1,182	1,147
	108,583,257	89,138,302	96,276,891
Allowances for impairment (Note 13)	(4,522,072)	(2,270,130)	(1,296,163)
	104,061,185	86,868,172	94,980,728

The loss of the Agency for the year ended 31 December 2002 of CZK 79,433,520,000 will be covered by the Group's reserve fund, CZK 3,021,043,000 (Note 20), by the MF ČR, CZK 76,264,420,000 and by the NPF, CZK 148,057,000.

The loss of the Agency from 1 September to 31 December 2001 of CZK 16,122,466,000 was covered by the Group's reserve fund, CZK 204,405,000 and by the NPF CZK 2,045,447,000 and the remaining loss of CZK 13,872,614,000 should be settled by MF ČR by 30 June 2003.

The Bank's loss of CZK 41,526,363,000 for the period from 1 January 2001 to 31 August 2001 was covered by the Group's special purpose reserve fund, CZK 3,108,642,000, by the MF ČR, of CZK 33,200,000,000, and by the NPF, CZK 483,882,000. The remaining loss of CZK 4,733,839,000 will be settled by MF ČR by 30 June 2003.

Receivables from the State and the NPF for payment of losses do not bear interest and are not discounted to net present value.

12 PREPAYMENTS AND ACCRUED INCOME

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Prepayments	7,929	9,153	21,919
Accrued income *	894	12,741	619,870
	8,823	21,894	641,789

* The accrued income as at 1 September 2001 represents interest reclassified to the related assets for subsequent periods. The Group's information system does not provide sufficient information to enable reclassification as at 1 September 2001.

13 ALLOWANCES, PROVISIONS AND WRITE OFFS

The Group had the following provisions and allowances for assets at risk:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Provisions			
General provisions for loans (Note 5)	5,593,304	10,039,293	6,270,293
Specific provisions for guarantees (Note 21)	1,993,335	4,362,957	3,054,957
Specific provision for "black" and "other" items transferred from ČSOB according to restructuring plan (Note 21)	123,362	29,263,482	32,130,200
General provision for purchase of receivables	-	294,000	-
Specific provision for offshore structures under transfer from ČSOB (Note 21)	29,500,000	-	-
Specific provision for guarantee of repayment of Nová Huť, a.s. bonds	1,173,000	-	-
Other specific provisions	2,188	-	-
	38,385,189	43,959,732	41,455,450
Allowances			
Impaired loans to banks (Note 4)	405,641	-	-
Impaired loans to customers (Note 5)*	143,011,306	95,878,569	85,369,414
Trading securities (Note 7)	-	1,073,258	1,032,074
Securities available-for-sale (Note 7)	-	785,204	44,022
Securities held-to-maturity (Note 7)	-	1,001,231	1,001,231
Investments in unconsolidated equity investments (Note 9)	5,344,782	6,855,818	7,469,257
Other assets (Note 11)	4,522,072	2,270,130	1,296,163
	153,283,801	107,864,210	96,212,161

* Includes allowances for impaired loans provided to related parties (Note 5(b)).

The movements in provisions can be analysed as follows:

	General provisions for overdue receivables	General provisions for standard loans	Provisions for "ring fenced" asset guarantees - ČS	Provisions for "black" and "other" assets ¹⁾	Provision for purchase of receivables ²⁾	Provision for offshore structures ³⁾	Provisions for Nova Hut', a.s bonds liabilities ⁴⁾	Other specific provisions	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
1 September 2001	5,812,983	457,310	3,054,957	32,130,200	-	-	-	-	41,455,450
Creation	3,769,000	-	1,308,000	13,435,000	294,000	-	-	-	18,806,000
Release	-	-	-	(16,301,718)	-	-	-	-	(16,301,718)
31 December 2001	9,581,983	457,310	4,362,957	29,263,482	294,000	-	-	-	43,959,732
Creation	-	-	-	-	-	29,500,000	1,173,000	59,550	30,732,550
Release	(4,445,989)	-	(2,369,622)	(29,140,120)	(294,000)	-	-	(57,362)	(36,307,093)
31 December 2002	5,135,994	457,310	1,993,335	123,362	-	29,500,000	1,173,000	2,188	38,385,189

¹⁾ Certain "black" and "other" assets received in accordance with the Agreement with ČSOB (Note 21) recorded as off balance sheet contingencies as at 31 December 2001 and as at 1 September 2001, have been transferred to the Agency and recorded in the balance sheet as at 31 December 2002. Provisions created for these assets have been released and the balance sheet exposure has been covered by allowances (Notes 5 and 21).

²⁾ Purchase of receivables from Revitalizační agentura, a.s.

³⁾ Purchase of offshore structures from ČSOB (Note 21).

⁴⁾ Based on Government decision 587/02 the Agency guarantees repayment of liabilities related to Nová Hut', a.s. bonds.

On 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets of Česká Spořitelna, a.s. and the companies CORFINA, a.s., CORFINA TRADE, s.r.o. and CF Danube leasing, s.r.o. (hereinafter "ČS group"). During the year 2001, Česká spořitelna, a.s. exercised a put option with the Agency and transferred selected assets, with an associated value of CZK 4,700,000,000, into the Group. For these transferred assets, the Group created allowances amounting to CZK 3,645,043,000 (included in the allowance for impaired loans). The specific provision for the guarantees relating to the above mentioned transfers as at 31 December 2001 was CZK 4,362,957,000.

In July 2002 selected assets were transferred to the Group amounting to CZK 4,110,363,000 in accordance with the above agreement. The Group has paid CZK 50,022,000 as motivation fees for this transfer. The Group created allowances for the transferred assets amounting to CZK 1,971,500,000 which are included in allowances for impaired loans and general provisions released of the same amount. Specific provisions for guarantees relating to other transfers expected from Česká Spořitelna, a.s. amounted to CZK 1,993,335,000 as at 31 December 2002.

On 31 December 2002 the Group created specific provisions of CZK 29,500,000,000 for the losses arising from the exercise of the option to purchase offshore structures that are in the process of transfer from ČSOB (Note 21). No provision was created for potential losses on these structures as at 31 December 2001 and 1 September 2001 because the outcome of ongoing discussions was not known and a reliable estimate of the amount of any potential loss could not be made at the date of signing the financial statements for the year ended as at 31 December 2001.

The movements in allowances can be analysed as follows:

	Impaired loans to banks	Impaired loans to customers	Trading securities	Available for-sale securities	Securities held-to-maturity	Investments in unconsolidated subsidiaries and associates	Other assets
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Allowance at 1 September 2001	-	85,369,414	1,032,074	44,022	1,001,231	7,469,257	1,296,163
Additions	-	22,593,823	47,178	788,837	-	34,961	974,182
Usage	-	(11,905,208)	(5,994)	(47,655)	-	(648,400)	(215)
Write backs ¹⁾	-	(179,460)	-	-	-	-	-
Allowance at 31 December 2001	-	95,878,569	1,073,258	785,204	1,001,231	6,855,818	2,270,130
Additions	405,641	101,019,591	-	-	-	6,021,720	2,286,106
Usage	-	(53,804,095)	-	-	(1,001,231)	(6,511,806)	(34,164)
Write backs ¹⁾	-	(82,759)	(1,073,258)	(785,204)	-	(1,020,950)	-
Allowance at 31 December 2002	405,641	143,011,306	-	-	-	5,344,782	4,522,072

¹⁾ The written back specific allowances for classified loans of CZK 82,759,000 for the year ended 31 December 2002 represent the difference between nominal and purchase cost of loans, recorded as allowances when originated, in accordance with the existing methodology.

Written back allowances for classified loans of CZK 179,460,000 as at 31 December 2001 include foreign exchange differences of CZK 167,137,000 from the revaluation of allowances in foreign currencies.

Creation of allowances

The amount of allowances created is based upon the identified risk, taking into consideration both the realisable value of collateral accepted and a special-purpose reserve fund (Note 20). Allowances are created against securities and investments on an individual basis.

Allowances to loans:

	Gross impaired amounts receivable at 31 December 2002	Quarterly average of gross impaired amounts receivable in 2002	Allowances at 31 December 2002
	CZK'000	CZK'000	CZK'000
Watch	1,702,742	2,640,300	102,977
Substandard	4,883,768	3,939,572	409,630
Doubtful	9,713,779	11,556,671	5,678,413
Loss	188,914,173	198,229,130	136,820,286
	205,214,462	216,365,673	143,011,306

Write-offs and recovery of amounts written off previously:

	Year ended 31 December 2002		1 September to 31 December 2001	
	Amounts written off	Recovery of amounts written off previously	Amounts written off	Recovery of amounts written off previously
	CZK'000	CZK'000	CZK'000	CZK'000
State sector	2,614,561	-	183,717	-
Private clients	4,731,056	142,416	1,291,201	714
	7,345,617	142,416	1,474,918	714

Bad debts are written off against established provisions, allowances or directly expensed in the case that management of the Group asserts their chance of recoverability to be nil.

14 DUE TO BANKS

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Due to central banks	16,230,072	25,677,291	26,604,177
Due to other banks	102,659,702	100,227,906	109,261,664
Loans received from banks based on repurchase agreements	-	2,100,000	-
	118,889,774	128,005,197	135,865,841

15 DUE TO CUSTOMERS

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Amounts due to governmental entities	5,883,684	25,402,327	6,577,978
Amounts due to private customers	24,001,955	3,200,436	2,427,510
Other short-term payables to clients	249,902	96,466	91,406
	30,135,541	28,699,229	9,096,894

Deposits from related parties

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Unconsolidated subsidiary undertakings	120,231	35,916	35,849
Unconsolidated associated undertakings	204,889	257,447	233,931
	325,120	293,363	269,780

The Group has accepted deposits from related parties. Such deposits were accepted under substantially the same terms and conditions, including interest rates, as were prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal interest rate and liquidity risk or present other unfavourable features.

16 LIABILITIES FROM DEBT SECURITIES

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Bonds issued - long term	27,684,150	12,623,486	12,000,000
less: own bonds held (Note 2(u) iv)	(200,588)	(202,054)	(204,620)
Promissory notes and bills of exchange	4,639,836	279,339	282,252
	32,123,398	12,700,771	12,077,632

As at 31 December 2002, the Group had outstanding short-term bonds issued (deposit bills) redeemable within one year of CZK 117,343,000 (as at 31 December 2001: 279,339,000; at 1 September 2001: CZK 282,252,000). The long-term bonds issued comprise:

Issue	Notional amount CZK'000	Maturity	Interest rate
2.	7,000,000	15 April 2004	10.875% p.a.
3.	5,000,000	17 March 2005	6-month PRIBOR + 0.125% p.a.
4.	5,000,000	10 June 2007	5.050% p.a.
5.	10,000,000	28 June 2005	6-month PRIBOR + 0.09% p.a.
	27,000,000		

The first issue was redeemed on 28 May 2001.

17 SUBORDINATED LIABILITIES

The Group had no subordinated debt as at 31 December 2002, as at 31 December 2001 or as at 1 September 2001.

18 OTHER LIABILITIES

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Other payables	707,205	227,373	830,201
Settlement clearance accounts - debit balances	-	-	45,517
Estimated payables	284,646	171,122	162,444
Tax payable	5,691	-	-
Derivative financial instruments	16,791	-	-
	1,014,333	398,495	1,038,162

19 ACCRUALS AND DEFERRED INCOME

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Accruals	56,866	11,289	2,850,422
Deferred income	50,812	676	24,860
	107,678	11,965	2,875,282

20 EQUITY AND COVERING OF LOSSES

Share capital

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Issued and paid	5,950,000	5,950,000	5,950,000

Czech law requires that the State guarantees the Agency's liabilities and thus pays losses incurred by the Agency. The claim for settling the loss of the current period is recorded as a receivable from the State against the Capital fund, and consequently total assets are increased. The settlement of the loss from the Capital fund is recorded in the following accounting period.

The Bank, the legal predecessor of the Agency, has received an official interpretation of the relevant accounting legislation from the MF ČR (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Agency. In accordance with this interpretation, the Group has set aside, within the statutory reserve fund that forms part of the equity of the Group, an amount of CZK 21,395,462,000 (31 December 2001: CZK 24,416,505,000; 1 September 2001: CZK 24,620,910,000) to cover expected losses on certain specific loans and no allowances have been separately reflected for these expected losses. This reserve fund was contributed to by the NPF. The Group released an amount of CZK 3,021,043,000 to cover losses related to the old block of loans (in the period from 1 September 2001 to 31 December 2001: CZK 204,405,000). The disclosed loss from the old block loans (Note 2(n)) for the period will be covered by a further release from the reserve fund.

21 CONTINGENCIES AND COMMITMENTS

Potential assets and liabilities can be analysed as follows:

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Guarantees granted			
On behalf of clients of the Group	209,189	978,217	974,043
On behalf of ČS group clients	3,333,698	13,069,675	11,204,471
On behalf of Komerční banka, a.s. clients ¹⁾	6,812,000	20,000,000	20,000,000
Total	10,354,887	34,047,892	32,178,514
Specific provisions for guarantees (Note 13)	(1,993,335)	(4,362,957)	(3,054,957)
Net	8,361,552	29,684,935	29,123,557
Co-acceptances given	87,487	-	-
Loan commitments made			
Revocable	13,165	258,804	1,171,493
Irrevocable	539,047	5,036,198	5,741,225
Total	552,212	5,295,002	6,912,718
Commitments on the cession of assets from IPB Restructuring Plan			
"black" assets	-	17,847,461	45,900,000
"other" assets	-	11,654,000	-
offshore structures ²⁾	57,500,000	-	-
Commitments on the cession of assets total	57,500,000	29,501,461	45,900,000
Specific provisions to ČSOB assets (Note 13)	(123,362)	(29,263,482)	(32,130,200)
Specific provisions to ČSOB offshore structures (Note 13)	(29,500,000)	-	-
	27,876,638	237,979	13,769,800
Guarantees received			
From the State	1,225,300	2,686,044	3,708,398
From NPF ¹⁾	14,007,446	34,776,300	35,103,143
From other entities	6,964,119	6,907,454	7,843,549
	22,196,865	44,369,798	46,655,090
Irrevocable loan commitments accepted	132,881,495	133,786,330	110,823,460

¹⁾As at 31 December 2002 the balance of CZK 6,812,000,000 (as at 31 December 2001 and 1 September 2001: CZK 20,000,000,000) represents the Agency's guarantee for selected assets of Komerční banka, a.s. based on Government regulations.

²⁾ The Agency exercised the option to purchase voting and non-voting shares of IPB offshore structures from ČSOB based on the Agreement with ČSOB. In addition, the Group expects to take over shares in private limited companies and promissory notes in the year 2003.

Transfer of IPB assets from ČSOB

The Group was obliged, due to an Agreement on the restructuring plan signed between its legal predecessor, the Bank, ČSOB and the MF ČR (the "Agreement with ČSOB"), to accept, at the request of ČSOB, selected assets acquired as a result of ČSOB's rescue of IPB at the agreed price. The purchase price represents the book amount recorded by IPB on the date of acquisition adjusted by any proceeds from the assets plus interest up to the date of transfer to the Group. This Agreement segregated the portfolio of assets of CZK 45,900,000,000, which may be transferred into so called "black assets", which ČSOB had already decided to transfer at the date of the Agreement and "other assets", for which no decision had been made at that date.

In accordance with the Agreement with ČSOB the Group received black and other assets from ČSOB at a purchase price of CZK 80,350,000,000 during the year 2002 and black assets of CZK 18,550,000,000 during the period from 1 September to 31 December 2001 (Note 5).

On May 2002 based on the Agreement with ČSOB, ČSOB exercised its rights under this put option against the Agency and required the Agency to sign an agreement on transfer of the selected items from so called "offshore structures" to which IPB transferred a part of its securities portfolio in 1999 and 2000 and which became the subject of a state guarantee and cross options between ČSOB and the Agency as at the date of sale of IPB. Based on ongoing discussions with ČSOB, the offshore structures should be transferred within the required time frame by the end of May 2003. The purchase price has been stated as described above and was CZK 57,500,000,000 as at 28 February 2003. Because the fair value of the assets to be transferred, based on available information, is estimated to be CZK 28,000,000,000, the Group has created provisions for losses from the exercised option of ČSOB with respect to the transfer of these structures of CZK 29,500,000,000 as at 31 December 2002 because it is still not clear when and how the obligation from the option will be realised. No provision was created for potential losses on these structures as at 31 December 2001 and 1 September 2001 because the outcome of ongoing discussions with ČSOB was not known and a reliable estimate of the amount of potential loss could not be made at the date of signing the financial statements as at 31 December 2001.

No other transfers of assets to the Group are expected under the Agreement with ČSOB.

Legal proceedings with Wignes Real, s.r.o. and První privátní chirurgické centrum, s.r.o.

Legal proceedings are currently taking place between the companies Wignes Real, s.r.o. ("WR"), První privátní chirurgické centrum, s.r.o. and Konpo. WR claims a refund of damages amounting to CZK 36,910,000 relating to the cancellation of the competitive tendering for receivables cession. Konpo does not accept the validity of this claim for damages as according to Konpo management and court representatives the competitive tender cancellation was a justified action in compliance with the legal requirements. With regard to the above no provisions were created by Konpo. The contingent loss would be covered based on the agreement concluded with the Agency and ultimately by NPF.

Settlement of assets and liabilities relating to the privatisation of Škoda Mladá Boleslav

Based on its business activities, PRISKO has contingent liabilities resulting from the settlement of assets and liabilities relating to the privatised assets of the Škoda Mladá Boleslav concern and based on the buy-out and transfer of assets into Škoda Auto, a.s. as defined in the Transaction documents dated 16 April 1991 and the Appendix dated 19 December 1994. These contingent liabilities cannot be reliably estimated.

Legal proceedings with Motokov, a.s.

PRISKO is in litigation initiated by the counterparty Motokov, a.s. in respect of a claim for payment of CZK 181 million with accessories due to alleged enrichment that was paid in favour of the legal predecessor of PRISKO in 1991. On 15 February 2001 the Regional Court in Prague passed a judgement where PRISKO was ordered to pay the above mentioned amount. On 20 August 2001 an Appeal court in Prague has passed a judgement where the Regional Court's decision was annulled. On 9 April 2002 the Regional Court in Prague again passed a judgement in favour of the counterparty Motokov, a.s. and PRISKO submitted an appeal on 8 July 2002. The Appeal court in Prague passed a further judgement on 14 January 2003 where the Regional Court's decision was annulled and the case was returned to this court for further legal proceedings which are ongoing. Independent legal counsel is of the view, that it is probable, that PRISKO is ultimately going to win this litigation, therefore no provision has been created.

Insurance proceeds

Spolek experienced substantial damage in its synthetic resins production as a result of a fire on 21 November 2002. The main damage occurred in the area of fixed assets and inventory, and significant loss was caused by the suspension of production. Spolek's negotiations with insurance brokers and insurance companies have not been completed as of the date of approval of these consolidated financial statements. The final level of claim settlement by insurance companies concerning the fire has not yet been agreed, therefore the actual amount of insurance proceeds may differ from the estimated amount. The 2002 consolidated income statement includes total costs of CZK 100,000,000 incurred as a result of the fire. At the same time, estimated insurance proceeds of CZK 1,387,000,000 have been recorded as extraordinary revenue for 2002 (Note 29(b)).

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Assets placed in custody			
Shares	2,825,342	-	-
Bonds	746,752	808,990	-
	3,572,094	808,990	-
Assets in safe			
Shares	97,958	-	-
Bonds	-	1,007,972	1,007,972
	97,958	1,007,972	1,007,972
Assets under custody			
Shares	-	340	-
Other	1,320,288	1,219,094	1,006,985
	1,320,288	1,219,434	1,006,985

Assets purchased under resale agreements (Reverse Repo transaction):

	31 December 2002	31 December 2001	1 September 2001
	CZK'000	CZK'000	CZK'000
Bonds	41,168,500	-	-

Receivables from Reverse Repo transactions are included in Due from banks (Note 4).

22 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Interest on inter-bank transactions	1,744,556	905,544
Interest on loans to customers and State	9,546,698	2,813,569
Interest and discount on debt securities	983,103	35,972
	12,274,357	3,755,085

An estimated amount of CZK 6,042,000,000 representing income on impaired loans was included in 2002 (period from 1 September to 31 December 2001: CZK 6,657,000,000). Overdue penalty interest of CZK 10,384,000,000 for classified loans as at 31 December 2002 (as at 31 December 2001: CZK 8,463,000,000; as at 1 September 2001: CZK 9,120,000,000) was not recorded in revenues. The penalty interest is legally enforceable and has not been forgiven.

23 INTEREST PAYABLE AND SIMILAR EXPENSE

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Interest on inter-bank transactions	7,052,705	2,735,062
Interest on deposits from customers and state	834,279	167,847
Interest and discount on debt securities issued	1,681,437	353,242
	9,568,421	3,256,151

24 INCOME FROM SHARES AND OTHER INTERESTS

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Income from unconsolidated associated undertakings	34,820	-
Income from shares and other interests	2,224	-
	37,044	-

25 GAINS LESS LOSSES FROM FINANCIAL TRANSACTIONS

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Realised gains less losses from securities transaction	(1,472,692)	52,163
Gains less losses from foreign currency transactions	(33,592)	93,326
Gains less losses from trading derivatives	472,960	-
Gains less losses from other transactions	8,615	18,612
Net allowances for trading and available-for-sale securities	-	(893,752)
	(1,024,709)	(729,651)

The Bank signed restructuring and guarantee agreements with ČS Group (note 13) relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets.

A so called "motivation fee" is paid based on the above agreements. The motivation fee is calculated as 12% of proceeds from interest and fees received by ČS Group from clients from loans under the above guarantee before their transfer to the Group and 12% from the proceeds from loan principle received by ČS Group before their transfer to the Group. The first part of the motivation fee is paid by the Agency quarterly, the second part is paid at the date of transfer. This motivation fee of CZK 110,743,000 (period from 1 September to 31 December 2001: CZK 13,385,000) is expensed and included in the Gains less losses from other transactions.

The Group has to pay an "interest fee" in accordance with the above mentioned agreement for the management of the assets under the Agency's guarantee. This interest fee of CZK 273,016,000 (period from 1 September to 31 December 2001: 223,241,000); is included in the Gains less losses from other transactions stated above and it is paid by the Group quarterly.

The motivation and interest fee are not capitalised into the cost of acquisition because they do not meet the criteria to be recorded as assets as they do not bring any future benefits to the Group.

26 ADMINISTRATIVE EXPENSES

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Rent and lease charges	24,877	13,056
Staff costs	954,088	204,147
Audit, tax and legal advisory services	157,063	39,233
Other administration expenses	870,922	116,529
	2,006,950	372,965

Staff costs can be analysed as follows:

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Wages and salaries	690,191	145,854
Social security and other social costs	254,863	56,031
Emoluments of Supervisory Board	9,034	2,262
	954,088	204,147

Emoluments of Board of Directors and statutory representatives of the Group for their executive role of CZK 26,872,000 (for the period from 1 September to 31 December 2001: CZK 7,054,000) are included in Wages and salaries.

Staff statistics

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Average number of employees of the Group	2,054	858
Number of members of the Board of Directors of the Group	20	15
Number of members of the Supervisory Board of the Group	33	23

27 OTHER INCOME AND EXPENSES

	2002	Period from 1 September to 31 December 2001
	CZK'000	CZK'000
Other income		
Fee and commission income	151,884	14,782
Other operating income	5,183,183	1,869,259
Utilisation of provisions, income from ceded receivables and income from receivables already written-off	98,958,000	28,809,391
	104,293,067	30,693,432
Other expenses		
Fee and commission expense	85,857	5,198
Other operating expense	10,042,797	5,779,845
Depreciation of tangible and intangible fixed assets	397,169	42,487
Additions to provisions, write-offs of receivables and guarantees	180,900,978	43,230,374
	191,426,801	49,057,904

28 TAXATION

There was no tax liability of the Group in 2002 or the period from 1 September to 31 December 2001. A deferred tax asset of the Group of CZK 8,477,993,000 (at 31 December 2001: CZK 7,613,330,000) has not been recognised as it is not probable that future taxable profit will be available against which the unused tax credits can be utilised.

29 EXTRAORDINARY ITEMS

(a) Extraordinary expenses

	2002
	CZK'000
Release of allowances for securities - revaluation at fair value:	
Shares	169,921
Mutual funds shares	31,795
Bonds and other debt instruments	1,585,253
Bills of exchange	73,583
Damage caused by fire (Note 21)	108,862
Other	537
	1,969,951

(b) Extraordinary income

	2002
	CZK'000
Release of allowances for securities - revaluation at fair value:	
Shares	169,921
Mutual funds shares	31,795
Bonds and other debt instruments	1,585,253
Bills of exchange	73,583
Revaluation to fair value (above cost):	
Shares	239,825
Mutual funds shares	10,239
Bonds and other debt instruments	2,503
Bills of exchange	-
Expected insurance claim settlements resulting from fire (Note 21)	1,387,000
Other	1,985
	3,502,104

Extraordinary expenses and income in the period from 1 September to 31 December 2001 were not significant.

30 FINANCIAL RISKS

(a) Strategy in using financial instruments

Based on the Group's specific status, its financial risk management function focuses on developing procedures, establishing methods and setting limits, and monitoring the Group's adherence to the policies.

The Group's independent analysis of individual clients and discussions of business cases is carefully considered in developing and updating the financial risk procedures.

Furthermore regular reports connected to financial risk management are prepared for the Board of Directors and other advisory bodies of the Board of Directors. The control of financial risk management is reviewed by internal audit.

(b) Credit risk

The Group's credit risk management policy is based on the Group's internal rating system, one of the two methodologies recommended by the Basel Committee for bank supervision.

Through the use of internal ratings, the Group can assess the degree of credit risk associated with clients. The rating is determined by the subject's ability to meet its short term and long term obligations. Monitoring of clients' financial situation is an essential element of the Group's credit risk management.

Based on Governmental rulings, the Board of Directors is obliged to undertake certain transactions even if such transactions would not otherwise have been realized based on the related risk involved.

Geographical segmentation

At 31 December 2002

Assets	Domestic	European union	Other Europe	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Due from banks	53,744,572	48,680	792	12,548	53,806,592
Due from customers	80,450,016	-	625,650	-	81,075,666
Securities available-for-sale	3,294,443	-	-	-	3,294,443
Investments	4,744,852	-	157,118	-	4,901,970
Other assets	106,514,583	188,712	73,720	15,441	106,792,456
	248,748,466	237,392	857,280	27,989	249,871,127

At 31 December 2001

Assets	Domestic	European union	Other Europe	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	4,594	-	-	-	4,594
Due from banks	32,512,350	68,346	3,875	5,404	32,589,975
Due from customers	112,111,813	18,083	316,426	-	112,446,322
Trading securities	2,710,741	-	-	-	2,710,741
Securities available-for-sale	2,379,512	-	-	-	2,379,512
Investments	6,150,655	-	-	-	6,150,655
Other assets	89,125,266	-	-	-	89,125,266
	244,994,931	86,429	320,301	5,404	245,407,065

1 September 2001

Assets	Domestic	European union	Other Europe	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	16	-	-	-	16
Due from banks	15,200,202	20,234	1,194	47,979	15,269,609
Due from customers	113,204,172	16,229	4,255	-	113,224,656
Trading securities	581,395	-	-	-	581,395
Securities available-for-sale	906,833	-	-	-	906,833
Investments	7,433,380	-	-	-	7,433,380
Other assets	96,806,993	-	-	-	96,806,993
	234,132,991	36,463	5,449	47,979	234,222,882

Business segmentation

At 31 December 2002

Assets	Private entities	State institutions	Municipalities	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Due from banks	53,806,592	-	-	-	53,806,592
Due from customers	77,378,317	3,638,788	58,561	-	81,075,666
Securities available-for-sale	3,294,443	-	-	-	3,294,443
Investments	4,901,970	-	-	-	4,901,970
Other assets	93,701,971	196,817	-	12,893,668	106,792,456
	233,083,293	3,835,605	58,561	12,893,668	249,871,127

At 31 December 2001

Assets	Private entities	State institutions	Municipalities	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	-	-	-	4,594	4,594
Due from banks	32,589,975	-	-	-	32,589,975
Due from customers	87,851,607	24,452,093	142,622	-	112,446,322
Trading securities	2,710,741	-	-	-	2,710,741
Securities available-for-sale	2,379,512	-	-	-	2,379,512
Investments	6,150,655	-	-	-	6,150,655
Other assets	72,110,547	3,486,710	-	13,528,009	89,125,266
	203,793,037	27,938,803	142,622	13,532,603	245,407,065

At 1 September 2001

Assets	Private entities	State institutions	Municipalities	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Deposits with central banks	-	-	-	16	16
Due from banks	15,260,219	-	-	9,390	15,269,609
Due from customers	85,097,409	28,082,189	45,058	-	113,224,656
Trading securities	581,395	-	-	-	581,395
Securities available-for-sale	906,833	-	-	-	906,833
Investments	7,433,380	-	-	-	7,433,380
Other assets	76,015,989	3,697,875	-	17,093,129	96,806,993
	185,295,225	31,780,064	45,058	17,102,535	234,222,882

(c) Derivative financial instruments

Hedge accounting is not used as both the hedged items and derivatives are fair valued and resulting gains and losses are recognised in the income statement, thus providing natural hedge effects.

The Group has outstanding trading derivative contracts, which can be analysed as follows:

	31 December 2002		
	Nominal value	Fair value positive	Fair value negative
	CZK'000	CZK'000	CZK'000
Foreign exchange forwards	2,024,194	15,277	16,791
Share options	596,059	464,159	-
	2,620,253	479,436	16,791

The Group had foreign exchange forwards with a recalculated nominal value of CZK 780,760,000 as at 31 December 2001.

Fair value of trading derivatives is recognised in the income statement.

The table above provides a detailed breakdown of the nominal amounts and the fair value of the Group's derivative financial instruments outstanding at the year end.

These foreign exchange derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange risks.

The nominal amounts provide a basis for volume comparison with instruments recognised on the balance sheet but do not indicate the Group's exposure to credit risk.

The off balance sheet exposure of CZK 464,159,000 represents the fair value of a purchased call option for shares of Český Mobil, a.s. which can be exercised by October 2003. The fair value of this option is presented in Other assets as Financial derivatives (Note 11).

(d) Currency risk

The Group takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The net asset or liability represents the Group's exposure to movements in the exchange rate of each foreign currency and the Czech Crown. The exposure is actively managed through forwards, which are included in off-balance sheet long and short positions. The Group actively monitors its limits for managing its currency risk.

The table below summarises the Group's currency exposure. Included in the table are the Group's assets, liabilities and equity stated at their carrying amounts, categorised by currency.

At 31 December 2002

	CZK	EUR	USD	GBP	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Due from banks	52,746,619	671,825	351,539	9,715	26,894	53,806,592
Due from customers	79,060,197	1,362,516	517,081	-	135,872	81,075,666
Debt securities	1,003,745	-	97,958	-	-	1,101,703
Other assets	113,644,818	215,347	20,334	6,667	-	113,887,166
	246,455,379	2,249,688	986,912	16,382	162,766	249,871,127
Liabilities and equity						
Due to banks	117,437,985	930,465	521,324	-	-	118,889,774
Due to customers	29,396,447	506,213	232,881	-	-	30,135,541
Liabilities from debt securities	32,123,398	-	-	-	-	32,123,398
Provisions	38,385,189	-	-	-	-	38,385,189
Other liabilities	998,527	92,375	7,409	899	22,801	1,122,011
Equity	27,854,488	-	-	-	-	27,854,488
Minority equity	1,360,726	-	-	-	-	1,360,726
	247,556,760	1,529,053	761,614	899	22,801	249,871,127
Balance sheet net	(1,101,381)	720,635	225,298	15,483	139,965	-
Off balance sheet	968,343	(778,413)	(189,930)	-	-	-
Net on and off balance sheet position	(133,038)	(57,778)	35,368	15,483	139,965	-

At 31 December 2001

	CZK	EUR	USD	GBP	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	4,594	-	-	-	-	4,594
Due from banks	12,879,848	19,300,251	393,704	3,310	12,862	32,589,975
Due from customers	110,974,316	666,098	660,488	-	145,420	112,446,322
Debt securities	3,105,996	-	-	-	-	3,105,996
Other assets	97,260,009	2	167	-	-	97,260,178
	224,224,763	19,966,351	1,054,359	3,310	158,282	245,407,065
Liabilities and equity						
Due to banks	126,645,725	535,468	824,004	-	-	128,005,197
Due to customers	9,285,915	19,201,692	211,622	-	-	28,699,229
Liabilities from debt securities	12,700,771	-	-	-	-	12,700,771
Provisions	43,948,182	-	3,002	-	8,548	43,959,732
Other liabilities	377,330	24,661	-	-	8,469	410,460
Equity	31,631,676	-	-	-	-	31,631,676
	224,589,599	19,761,821	1,038,628	-	17,017	245,407,065
Balance sheet net	(364,836)	204,530	15,731	3,310	141,265	-

The off-balance sheet foreign currency open position was immaterial as at 31 December 2001.

1 September 2001

	CZK	EUR	USD	GBP	Other	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	16	-	-	-	-	16
Due from banks	12,590,691	2,489,539	180,152	1,401	7,826	15,269,609
Due from customers	111,736,315	403,628	960,814	-	123,899	113,224,656
Debt securities	981,398	-	-	-	-	981,398
Other assets	104,722,768	14,504	9,931	-	-	104,747,203
	230,031,188	2,907,671	1,150,897	1,401	131,725	234,222,882
Liabilities and equity						
Due to banks	134,251,456	531,836	1,082,549	-	-	135,865,841
Due to customers	8,619,209	297,668	180,017	-	-	9,096,894
Liabilities from debt securities	12,077,632	-	-	-	-	12,077,632
Provisions	41,455,450	-	-	-	-	41,455,450
Other liabilities	3,848,716	10,500	54,228	-	-	3,913,444
Equity	31,813,621	-	-	-	-	31,813,621
	232,066,084	840,004	1,316,794	-	-	234,222,882
Balance sheet net	(2,034,896)	2,067,667	(165,897)	1,401	131,725	-

The off-balance sheet foreign currency open position was immaterial as at 1 September 2001.

(e) Interest rate risk

The Group takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as the result of such changes, but they may decrease or result in losses in the event of unexpected movements.

Limits for the management of interest rate risk have been set. The Group monitors portfolio sensitivity to changes in interest rates using GAP analysis.

The table below summarises the Group's exposure to interest rate risk. Included in the table are the Group's interest bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual, repricing or maturity dates.

At 31 December 2002

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Due from banks	47,902,880	58,936	344,776	5,500,000	-	53,806,592
Due from customers	527,558	12,977,505	36,447,974	3,942,062	27,180,567	81,075,666
Debt securities	-	252,193	185,770	108,534	555,206	1,101,703
Other assets	3,723,860	512,239	94,870,930	-	14,780,137	113,887,166
	52,154,298	13,800,873	131,849,450	9,550,596	42,515,910	249,871,127
Liabilities and equity						
Due to banks	5,196,882	21,739,657	72,439,668	19,513,567	-	118,889,774
Due to customers	29,779,464	354,867	-	-	1,210	30,135,541
Liabilities from debt securities	5,571,461	9,515,574	15,661,363	1,375,000	-	32,123,398
Provisions	-	-	-	-	38,385,189	38,385,189
Other liabilities	2,094,944	387,793	-	-	-	2,482,737
Equity	-	-	-	-	27,854,488	27,854,488
	42,642,751	31,997,891	88,101,031	20,888,567	66,240,887	249,871,127

At 31 December 2001

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	4,594	-	-	-	-	4,594
Due from banks	27,089,975	-	-	5,500,000	-	32,589,975
Due from customers	767,808	42,746,591	38,982,243	1,425,753	28,523,927	112,446,322
Debt securities	2,550,162	555,834	-	-	-	3,105,996
Other assets	12,186,141	63,929,650	4,728	147,167	20,992,492	97,260,178
	42,598,680	107,232,075	38,986,971	7,072,920	49,516,419	245,407,065
Liabilities and equity						
Due to banks	11,848,084	35,951,527	66,054,499	14,151,087	-	128,005,197
Due to customers	18,318,067	7,057,914	3,080,393	-	242,855	28,699,229
Liabilities from debt securities	4,632,987	-	7,623,486	-	444,298	12,700,771
Provisions	-	-	-	-	43,959,732	43,959,732
Other liabilities	-	-	-	-	410,460	410,460
Equity	-	-	-	-	31,631,676	31,631,676
	34,799,138	43,009,441	76,758,378	14,151,087	76,689,021	245,407,065

At 1 September 2001

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	-	-	-	-	16	16
Due from banks	9,640,222	129,387	-	5,500,000	-	15,269,609
Due from customers	13,067,217	33,187,740	43,838,590	8,912,904	14,218,205	113,224,656
Debt securities	404,643	23,792	552,963	-	-	981,398
Other assets	8,135,288	74,487,714	-	-	22,124,201	104,747,203
	31,247,370	107,828,633	44,391,553	14,412,904	36,342,422	234,222,882
Liabilities and equity						
Due to banks	23,088,509	25,191,097	68,385,916	15,001,087	4,199,232	135,865,841
Due to customers	9,004,488	1,000	91,406	-	-	9,096,894
Liabilities from debt securities	11,473	5,000,000	7,000,000	-	66,159	12,077,632
Provisions	-	-	-	-	41,455,450	41,455,450
Other liabilities	-	-	-	-	3,913,444	3,913,444
Equity	-	-	-	-	31,813,621	31,813,621
	32,104,470	30,192,097	75,477,322	15,001,087	81,447,906	234,222,882

(f) Liquidity risk

The Group prepares a statement of actual and residual maturities of its assets and liabilities and monitors the limits for the purposes of liquidity risk management.

The table below analyses assets and liabilities of the Group into their relevant maturity bands, based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2002

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Due from banks	48,306,592	-	-	5,500,000	-	53,806,592
Due from customers	6,669,718	5,649,323	14,189,219	4,142,987	50,424,419	81,075,666
Debt securities	-	3,744	-	1,097,959	-	1,101,703
Other assets	3,723,860	506,194	94,870,930	-	14,786,182	113,887,166
	58,700,170	6,159,261	109,060,149	10,740,946	65,210,601	249,871,127
Liabilities and equity						
Due to banks	5,196,882	20,396,017	67,762,335	25,534,540	-	118,889,774
Due to customers	25,580,982	533,325	4,020,024	-	1,210	30,135,541
Liabilities from debt securities	115,555	-	30,566,996	1,440,847	-	32,123,398
Provisions	-	-	-	-	38,385,189	38,385,189
Other liabilities	2,044,685	387,793	50,259	-	-	2,482,737
Equity	-	-	-	-	27,854,488	27,854,488
	32,938,104	21,317,135	102,399,614	26,975,387	66,240,887	249,871,127

At 31 December 2001

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	4,594	-	-	-	-	4,594
Due from banks	27,089,975	-	-	5,500,000	-	32,589,975
Due from customers	14,716,816	12,863,230	36,884,104	8,593,321	39,388,851	112,446,322
Debt securities	2,112,259	48,439	945,298	-	-	3,105,996
Other assets	12,186,141	63,929,650	4,728	147,167	20,992,492	97,260,178
	56,109,785	76,841,319	37,834,130	14,240,488	60,381,343	245,407,065
Liabilities and equity						
Due to banks	11,848,084	19,687,458	69,586,165	26,883,490	-	128,005,197
Due to customers	23,172,229	5,527,000	-	-	-	28,699,229
Liabilities from debt securities	806,692	2,748,531	9,145,548	-	-	12,700,771
Provisions	-	-	-	-	43,959,732	43,959,732
Other liabilities	193,881	214,123	-	2,456	-	410,460
Equity	-	-	-	-	31,631,676	31,631,676
	36,020,886	28,177,112	78,731,713	26,885,946	75,591,408	245,407,065

At 1 September 2001

	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Deposits with central banks	-	-	-	-	16	16
Due from banks	9,568,609	201,000	0	5,500,000	-	15,269,609
Due from customers	13,067,217	15,798,819	41,784,859	8,912,904	33,660,857	113,224,656
Debt securities	404,643	23,792	552,963	-	-	981,398
Other assets	8,135,288	74,487,714	-	-	22,124,201	104,747,203
	31,175,757	90,511,325	42,337,822	14,412,904	55,785,074	234,222,882
Liabilities and equity						
Due to banks	23,088,509	13,861,212	62,536,819	36,379,301	-	135,865,841
Due to customers	9,095,894	1,000	-	-	-	9,096,894
Liabilities from debt securities	250,621	31,631	11,795,380	-	-	12,077,632
Provisions	-	-	-	-	41,455,450	41,455,450
Other liabilities	3,376,215	534,576	-	2,653	-	3,913,444
Equity	-	-	-	-	31,813,621	31,813,621
	35,811,239	14,428,419	74,332,199	36,381,954	73,269,071	234,222,882

31 TOTAL EXPOSURE TO STATE AND NPF

	31 December 2002	31 December 2001	1 September 2002
	CZK million	CZK million	CZK million
Guarantees from the State (Note 21)	1,225	2,686	3,708
Receivable from the State due to repayment of losses (Note 11)	94,871	63,896	74,023
Total exposure to the State	96,096	66,582	77,731
Guarantees issued by the NPF (Note 21) ¹⁾	14,007	34,776	35,103
Receivable from NPF due to 2002 loss (Note 11)	2,009	8,874	6,826
Loan granted to NPF	7	22,217	26,217
Total exposure to NPF	16,023	65,867	68,146

¹⁾ As at 31 December 2002 guarantees issued by NPF include CZK 6,800,000,000 to cover the Group's potential losses from asserted guarantee rights relating to selected assets of Komerční banka, a.s. (as at 31 December 2001 and 1 September 2001: CZK 20,000,000,000).

32 SUBSEQUENT EVENTS

(a) Preparation for the sale of a block of receivables due from parties involved in bankruptcy proceedings

The Board of Directors and Supervisory Board of the Agency has approved the sale of a block of receivables of nominal value CZK 63,000 million. The block of receivables will be sold in a public tender. The completion of the transaction is planned for July 2003. The management of the Agency expects proceeds from the sale to approximate the net book amount of the receivables.

(b) Proposal for final solution of offshore structures with respect to IPB's asset transfer from ČSOB to the Agency

Based on the Agreement with ČSOB the Agency prepares the settlement of the purchase of the offshore structures from ČSOB. The purchase should be realised by the end of May 2003.

(c) Realised sales of receivables

The Agency has realised several sales of receivables after 31 December 2002. There was not a significant net profit or loss realised from these sales.

(d) Planned sales of receivables

The Agency plans to realise several sales of receivables during the year 2003. The management of the Agency does not expect significant net profit or loss to be realised from these sales.

These financial statements have been approved for submission to the Supervisory Board by the Board of Directors and have been signed on their behalf by:

	Signature of the statutory representative	Person responsible for accounting	Person responsible for the financial statements
30 April 2003	J. Liška L. Svoboda	L. Svoboda	D. Kouřimská