

ČESKÁ KONSOLIDAČNÍ AGENTURA

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



Ladies and Gentlemen,

Allow me to submit the Annual Report of Česká konsolidační agentura for 2003. I would also like to take this opportunity to assess the activities of the ČKA during the past year and inform you of the very important direction of the agency's future activities, which will take place within the framework of system changes.

First, a few words on the past period. In 2003 Česká konsolidační agentura continued in divesting of receivables that it collected in its portfolio over the past years. Block sales, the assignment of individual receivables, recovery through the courts and execution, the paying up and sale of property shares continue to represent the most frequently used instruments for dealing with receivables. In 2003 ČKA achieved the

sale of a large block of receivables from debtors in bankruptcy. This is performed with the intention of immediate encashment and the minimisation of costs for the administration of assets.

The changes that await us in the coming period follow logically from recent developments. Although Česká konsolidační agentura will, by an act of law, be dissolved on 31 December 2011, the current state of assets gives us the option of considering winding up activities as early as 2007. The new orientation of the system approach when determining the procedure for dealing with receivables and the corresponding adjustment of the organisation structure will ensure that portfolios within the entire ČKA group will be dealt with transparently and effectively as well as faster than has been the case to date.

In connection with the declared plan of the government of the Czech Republic to wind up the activities of Česká konsolidační agentura by 31 December 2007 at the latest, an important stage of the strategic project of transformation leading to the winding up of the activities of ČKA is beginning. The management team, which was changed in part at the start of 2004, is ready to exert maximum effort to realise this specific project. It has committed itself to ensuring the transparent and effective functioning of Česká konsolidační agentura from the start of implementation of the transformation project until after the winding up of the activities of the ČKA with the objective of minimising the negative impact on public finance. The actual winding up of the activities of Česká konsolidační agentura will therefore be a thoroughly managed project.

I am fully aware of how much effort and work is required in the coming months. Allow me, therefore, to wish all of us who want to contribute to the changes leading to the termination of the existence of ČKA every success in the fulfilment of the stated objectives.

1 April 2004

A handwritten signature in black ink, appearing to read 'Zdeněk Čáp'.

Zdeněk Čáp, Ph.D.
Chairman of the Board of Directors and Managing
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 administrating 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 supporting development projects of major Czech companies. As the state financial institution, established by the Ministry of Finance of the ČSFR without a 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 to the area of development programs and restructuring. By its assumption of a large number of doubtful receivables, especially those 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 with the goal of maximizing the proceeds for the state (i.e. minimizing 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.

At the suggestion of the Ministry of Finance, the Board members are appointed 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 that are able to prove their viability and meet their liabilities, ČKA uses the restructuring strategy or the repayment strategy. ČKA seeks a strategic partner to sale receivables of the companies, determined by the Government. Methods used to solve the low quality assets consist of the sale of ownership interests, assignment of receivables, realization of collateral, 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 designation of a particular debtor solution strategy

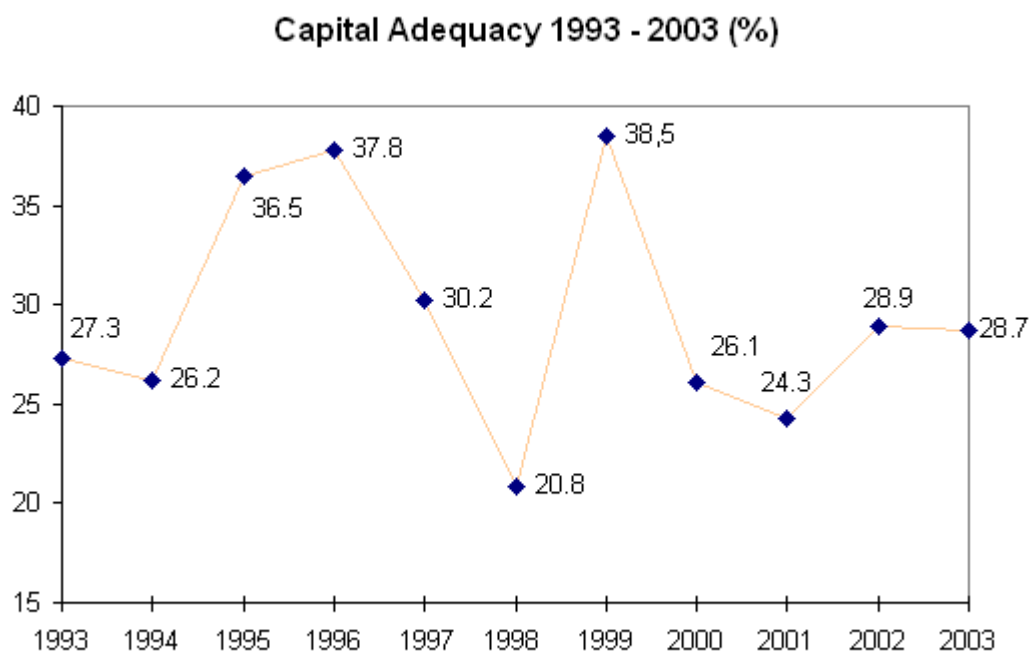
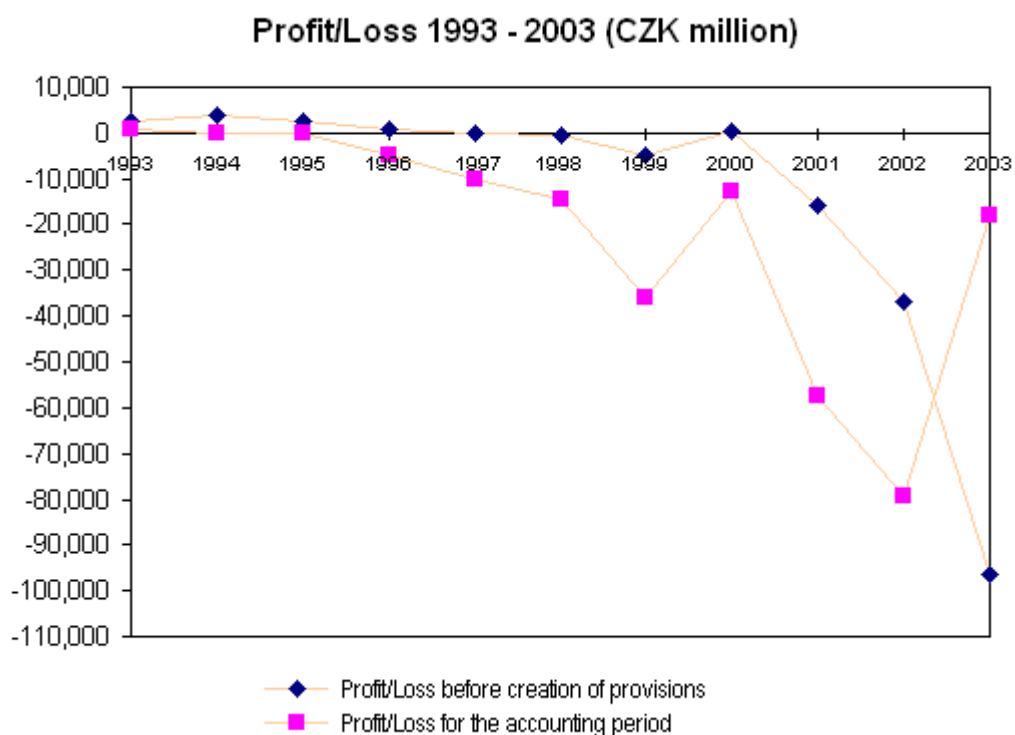
is the anticipated amount of the proceeds from such operation and other possible costs incurred in the administration of the given debtor.

The business strategy of prompt divesting of assets was continued in 2003. A rapid rate of the low quality receivables solution was reflected in yet another drop in the total assets and liabilities that amounted to CZK 174 billion at the end of 2003. Proven methods of low-quality asset solutions were applied throughout 2003 and acknowledged by international authorities, which made possible the consideration of discontinuing ČKA's operations in 2007. Block sales, as well as individual assignment, repayment and sale of ownership interests, continued to be the most frequently used instruments of solutions. In 2003, ČKA accomplished a unique sale of a block of receivables from debtors in bankruptcy of the approximate total amount of CZK 62 billion.

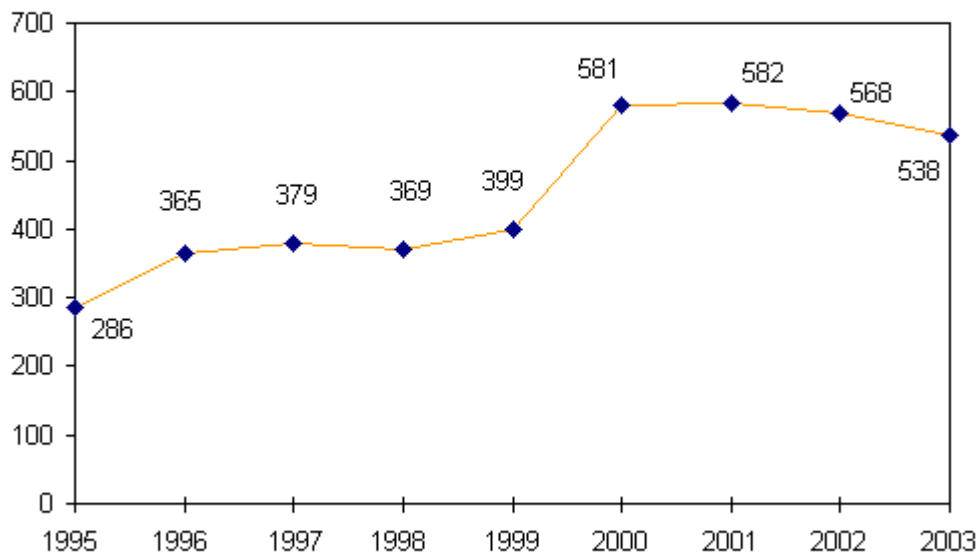
The ČKA group companies use a similar system of standards as the one applied by ČKA itself and their strategy is an integral part of ČKA's strategy. The processes used by these companies are fully compatible.

It is now becoming clear, given the accelerated process of solving the assets in ČKA's portfolio, that requests for coverage of losses relating to the national budget are not going to increase if no further assets are transferred to ČKA. The scope of ČKA's activities will be gradually scaled down relating to a reduction of managed assets, so that the smallest possible amount of activities, assets and lawsuits are transferred to the Ministry of Finance at the time of discontinuing ČKA operations.

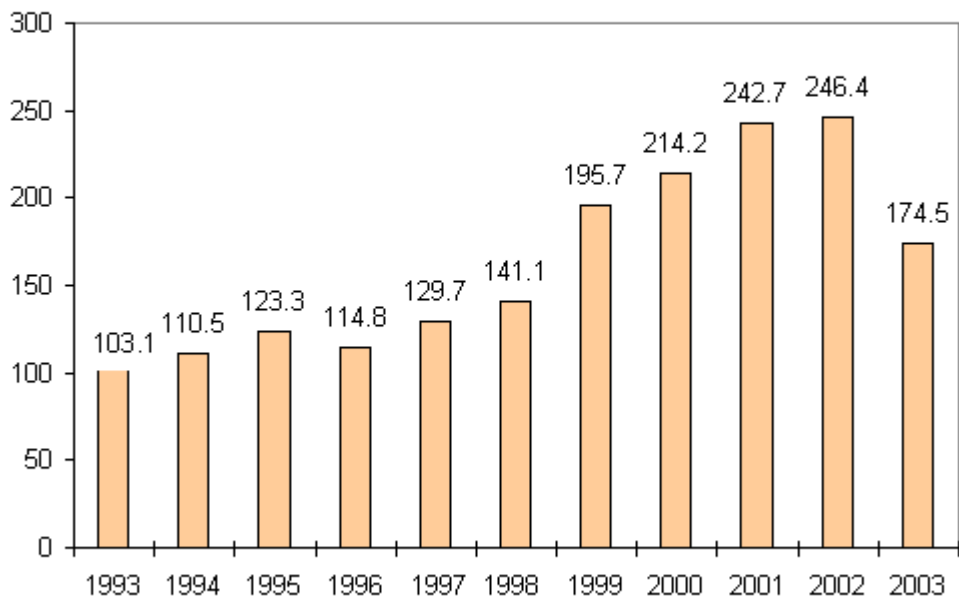
SELECTED INDICATORS



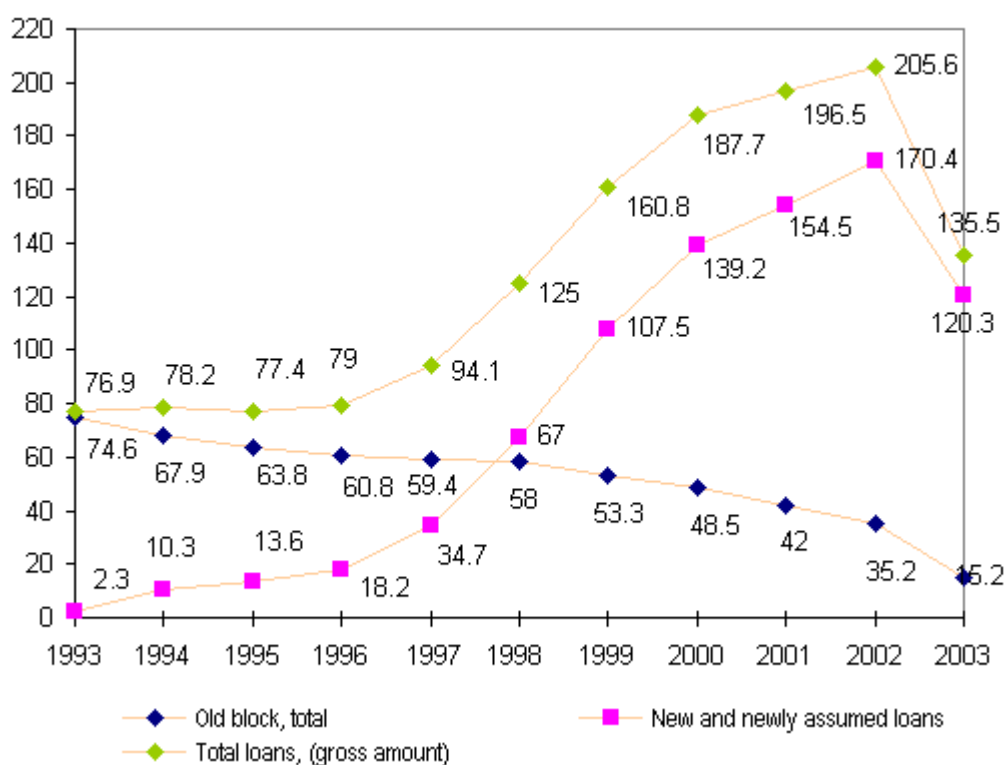
Average Number of Employees 1995 - 2003



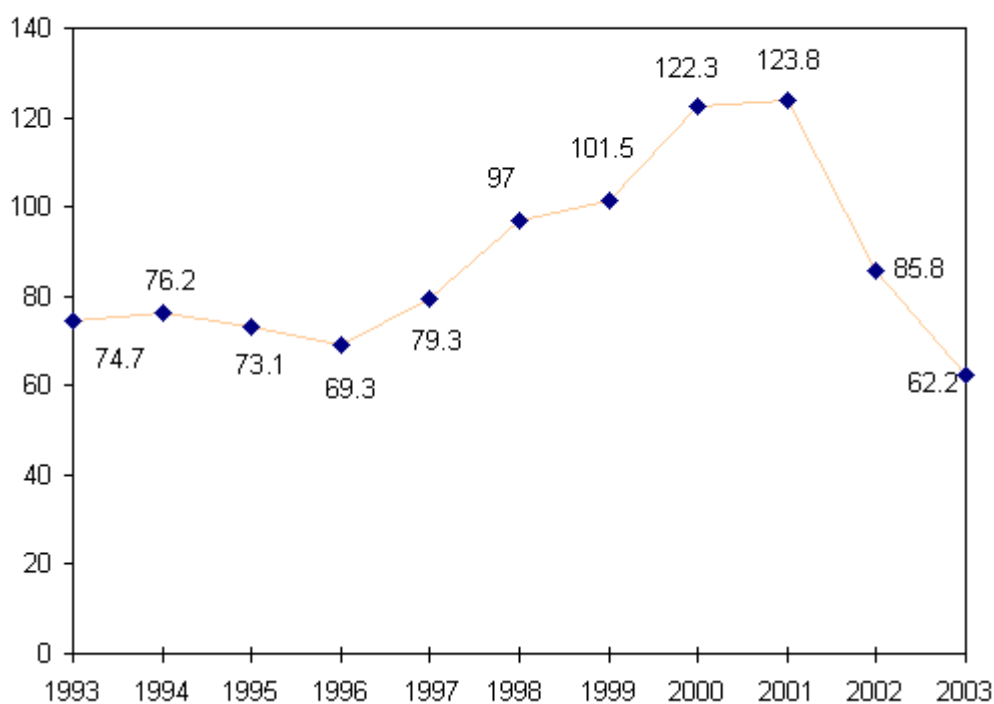
Development of Total Assets/Liabilities 1993 - 2003 (CZK billion)



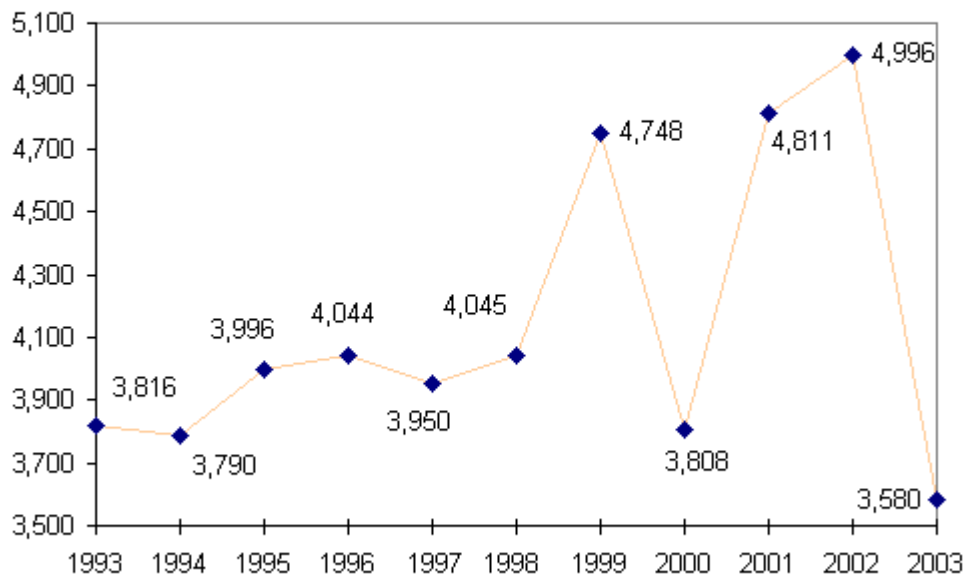
Due from Customers (gross amount) 1993 - 2003 (CZK billion)



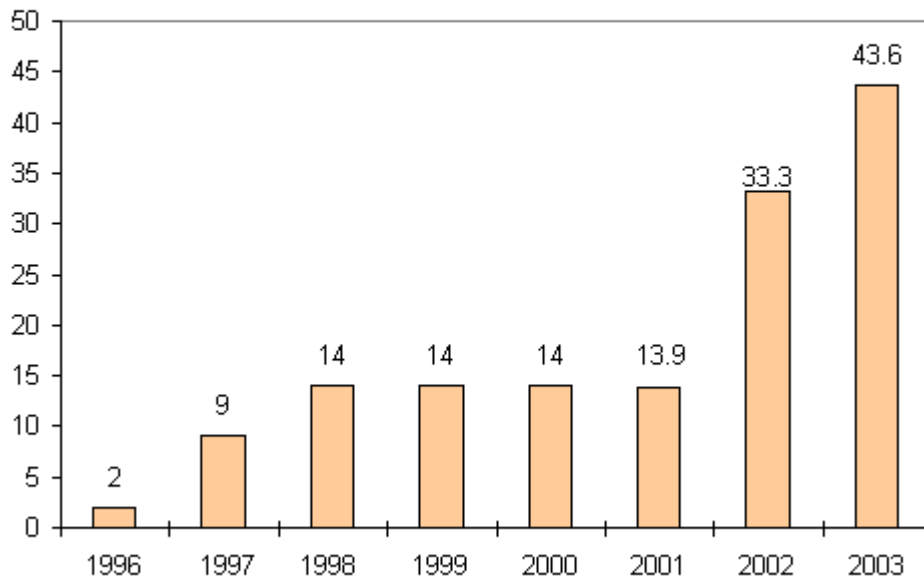
Due to Customers (net amount) 1993 - 2003 (CZK billion)



Number of Clients 1993 - 2003



Securities issued 1996 - 2003 (CZK billion)



Aggregate Balance Selected items CZK billion	Czech and Slovak Federal Republic KOB. s.p.ú. (Federal)				Czech Republic KOB Praha. s.p.ú. (Czech)								ČKA		
	1991		1992		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 GL as per 15 March 2004
	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	2.3
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	62.2
Securities (debt. shares. mutual shares) (net amount)	-	-	0.1	0.1	8.1	3.2	18.2	18.8	17.6	15.4	15.4	0.3	4.8	2.6	13.3
Participation interests (net amount)	-	-	-	-	-	10.4	10.6	10.5	8.6	9.1	9.9	5.6	3.9	5.0	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	9.7
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	84.9
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	8.1
Securities issued	-	-	-	-	-	-	-	2.0	9.0	14.0	14.0	14.0	13.9	33.3	43.6
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	4.0
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	23.0
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	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	174.5
Loan Portfolio mld. Kč															
- 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	9.9
- 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	3.4
- Restructured loans	-	-	-	-	-	-	2.7	8.6	10.8	11.2	11.9	11.0	10.1	8.1	1.9
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	15.2
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	120.3
of which: loans assumed to DBV										15.0	13.7	12.6	11.5	10.4	9.5
EIB development loans										12.9	18.0	-	-	-	-

from IPB/ČSOB													23.3	80.3	55.3
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	135.5
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)	(73.3)
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	62.2
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	652
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	3,580
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	1.5
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	11.8
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	13.3
Participation Interests															
Participation interests (gross amount)						10.4	10.6	10.6	14.1	15.4	14.9	11.5	10.8	13.3	13.4
Provisions						-	-	(0.1)	(5.5)	(6.3)	(5.0)	(5.8)	(6.9)	(8.4)	(8.4)
Participation interests (net amount)	-	-	-	-	-	10.4	10.6	10.5	8.6	9.1	9.9	5.7	3.9	5.0	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	17.6
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	4.0
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	28.7
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)	(96,253.1)
of which: CKA													** (3,323.0)	x	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)	(18,181.8)
of which: CKA													** (16,122.5)	x	x
Loan Portfolio (gross) - classification															
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	15.2
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	15.1/99.3
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	15.1/99.3
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	120.3

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	102.7/85.4		
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	77.9/64.8		
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	135.5			
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	117.8/86.9
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	93.0/68.6
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	67,777.7			
Number of clients in bankruptcy	-		-		-	59	108	193	319	511	720	1,019	2,277	2,638	1,102			
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	2,845.5			
of which: CKA													** 253.4	x	x			

* KOB + ČKA 1. 1. 2001 - 31. 12. 2001

** ČKA 1. 9. 2001 - 31. 12. 2001

BODIES OF ČKA



Photo below from the right: Zdeněk Čáp, Radka Kafková

Photo above from the right: Jiří Jurán, Mojmír Hampl, Petr Goldmann

Board of Directors

Zdeněk Čáp

Director (since 11 March 2004), Chairman of the Board of Directors and General Manager (since 1 April 2004)

In 1999, he completed a PhD study at the University of Economics in Prague, Corporate Undertaking Faculty. In 1992 - 1999, he worked with KB, a.s., Ústí nad Labem Branch in the marketing section, was a member of the Corporate Banking implementing team of the KB, a.s. transformation project, the Deputy Manager of the KB Teplice Business Centre, Deputy Manager of a regional branch of KB, a.s. and Branch Manager of KB, a.s., Ústí nad Labem Branch. During 2000 - 2004, he worked as a Statutory Representative and Deputy Manager General of Konpo, s.r.o. In 1996 - 1999, he worked as an External Assistant of the Corporate Finance Department of the Social Affairs and Economics Faculty of Jan Evangelista Purkyně University (FSE UJEP) and a Fellow of the Learned Council of FSE UJEP. Since 2004, he is a Member of the MBA Degree Examining Board and Member of the Doctoral Thesis Viva Voce Examining Board at the University of Economics in Prague, Corporate Undertaking Faculty.

Membership of other company bodies: Supervisory Board Member of Kovošrot Praha, a.s., and Supervisory Board Member of Konpo, s.r.o.

Jiří Jurán

Director and Senior Manager of the Receivable and Asset Management Function

He graduated from the Mining Institute in Ostrava, Economics Faculty, and from the School of Business and Finance in the Sheffield Hallam University. As of 1988, he worked as a reviewer and inspector with the State Czechoslovak Bank. In 1990, he worked with the Czech Police as an investigator in the District Investigating Bureau of Bruntál (economic crime), and then as the Finance Deputy General Manager of Kovohutě Břidličná, state company, and became the Financial Manager of the company after its transformation into a joint-stock company. As of February 1994, he joined KB, a. s., Bruntál Branch, as the Sales Department Manager. In 1996 - 1997, he was the Deputy Manager of the KB, a. s. Business Centre in Olomouc in charge of the corporate clientele and then the Risk Receivable Department Manager of the KB, a. s., Detached Workplace in Opava, serving the North-Moravian Region. In 2000, he was appointed Executive Manager of the KB, a. s., Risk Receivable Function; was involved in formation of Konpo, s.r.o. and, relating to that assignment, he carried out a transfer of risk receivables worth approx. CZK 60 billion from KB, a. s. to KOB Praha, s. p. ú. As of June 2000, he was the Risk Receivable Department Manager of the KB, a. s. Head Office, Opava workplace. While in KB, a.s., he completed the Comprehensive Training Program for Young Managers and was involved in the implementation of several projects in co-operation with McKinsey, a consultancy firm, including the "Workout" Project. Since 5 September 2001, he has been a Director of ČKA and, since 1 October 2001, the Senior Manager of the Receivable and Asset Management Function.

Membership of other company bodies: Supervisory Board Chairman of PRISKO, a.s., Supervisory Board Member of IMOB, a. s., Supervisory Board Member of Czech Airlines, a.s. (8 Apr. 2003 - 20 June 2003), Supervisory Board Member of ISPAT NOVÁ HUŤ a.s. (27 June 2002 - 12 March 2003).

Mojmír Hampl

Director and Senior Manager of the Methodology and Finance Function (since 1 April 2004)

In 1998, he graduated from the University of Economics in Prague. In 2000 - 2001, he completed a post-graduate course in economics and financial markets at the University of Surrey, the United Kingdom. In 1998 - 2002, he worked as an analyst and senior analyst with ČNB. In 1998, he was also a Special Advisor to the Minister without Portfolio. In 2002 - 2004, he worked with ČS, a.s. as a Senior Analyst and Financial Analyses Co-Ordinator of the ERSTE financial group. In 2002 - 2003, he was a member of the external advisor team of the Ministry of Finance for the public budget reform. In 1999, he was awarded the title of Young Economist of the Year by the Czech Society for Economics and is a holder of numerous other academic awards.

Membership of other company bodies: Director of the Czech Society for Economics

Petr Goldmann

Director (since 15 March 2004) and Senior Manager of the Trade Specialist Function (since 16 March 2004)

In 1983, he graduated from the Mining Institute, Economics and Management branch of study. In 1984 - 1991, he was a financial specialist and, as of 1989, the Head Financial Specialist of Královská železářna, a.s. In 1991, he joined KB, a.s., and worked in the following positions: Commercial Specialist (1991 - 1992), Head of Department (1992 - 1997) and Business Risk Specialist (1997 - 2000). In 2000, he joined KOB Praha, s.p.ú. as the Risk Management Department Manager. In 2002, he was appointed the

Restructuring Department Manager. In 2003, he became the Block Transaction and Restructuring Department Manager.

Membership of other company bodies: Supervisory Board Deputy Chairman of Škoda Holding, a.s. (the membership terminated at 20 March 2003). Currently, he is not a member of any other company bodies.

Radka Kafková

Director (since 29 May 2003) and Senior Manager of the Restructuring Function (since 3 June 2003)

In 1989, she graduated from the Mining Institute, Mechanical and Electrical Engineering Faculty. In 1993, she worked as an account manager (loan provision and loan deal management, specifically loans with high risk) with ČS, a.s. and then, in 1993 - 1994, as an account manager (risk management) with Česká banka, a.s. In 1994 - 1997, she was the Financial Restructuring Department Manager of Union banka, a.s. In 1995 - 1997, she was concurrently a lecturer at the Mining Institute, Faculty of Economics. In 1997 - 1999, she was the Loans Receivable Department Manager of ČNB. In 1999 to 2001, she was a Statutory Representative and the First Deputy General Manager of Česká finanční, s.r.o. In 1998 - 2001, she was the Supervisory Board Chairman of Banka Bohemia, a.s., in liquidation. After 2001, until her appointment to the Board of Directors of ČKA, she was a self-employed finance and business advisor.

Membership of other company bodies: Board Member of the Society for Certification of Asset Valuers, o.p.s.

Pavel Řežábek

Chairman of the Board of Directors and General Director (from 16 May 2001 to 31 March 2004)

In 1984, he graduated from the University of Economics in Prague, and from 1984 -1991 was employed at Potraviny SK, Příbram as the Deputy Director for sales. From 1991 - 1995 he was employed as the statutory representative and the Director of administration for T.IMC s.r.o. Příbram, and from 1995 as an auditor at Agrobanka. In 1996 he worked for BSA, a.s. Prague as an adviser and consultant. Since 1996, he was employed at KOB as the Head of the Internal Audit and Control Department and since 16 May 2001 as the Chairman of the Banking Council and the General Manager. Since 1 September 2001 to 31 March 2004, he was 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.

Zlata Gröningerová

Member of the Board of Directors (from 1 September 2001 to 14 March 2004) and Manager Director of the Business Specialists Division (1 September 2001 to 15 March 2004)

She graduated from the Prague University of Economics and worked at the Prague University of Economics as an assistant in the Department of Finance and Credits, specializing in corporate finance from 1982 - 1985. In the years 1990 - 1991, she worked as 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. She worked at IPB as a banking specialist in the years 1994 - 1995.

Starting 1995 she worked at KOB and was the Head of the Department of Investment Financing since 1996. Since 1 January 1998 she was the Head of the Business Division, since 1 March 1998 she was a member of the Banking Council of KOB and since 1 September 2001 to 14 March 2004 she was a member of the Board of Directors at ČKA and since 1 September 2001 to 15 March 2004 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.

Libor Svoboda

Member of the Board of Directors and Managing Director of the Methodology and Finance Division (1 September 2001 - 10 March 2004)

In 1985, he graduated from the Prague University of Economics, where he worked as an assistant, lecturer and Deputy Head of the Department of Statistics until 1994. Since 1994, he worked at the Ministry of Education as a Department Head, Managing Director and Deputy Minister. From 1997 to 1998, he was the Deputy Minister of Finance. From 1999 to 2001 he was the Economic Director for the project Prague - European City of Culture 2000. Since May 2001, he was the Head of the Methodology and Finance Division (within KOB).

Membership of other corporate bodies: Chairman of the Supervisory Board of Česká finanční, s.r.o., Chairman of the Supervisory Board of IPB Real, a.s. (to 29 December 2003), member of Supervisory Board of IMOB, a.s., Head of Supervisory Board of Výzkumného ústavu pivovarského a sladářského, a.s., Head of Supervisory Board of PČRB s.r.o. - Moscow.

Jan Liška

Member of the Board of Directors (5 September 2001 - 28 May 2003) and Managing Director of the Restructuring Division (5 September 2001 - 2 June 2003)

In 1984 he graduated from Prague University of Economics. Upon graduation, he worked at Správa dálkových kabelů Praha as an analyst, from 1987 -1991 at Ústav sér a očkovacích látek Praha as the Head of the Planning and Pricing Department and from 1991 to 1993 he was employed at Poštovní banka, a.s. as a team manager. Since 1993, he worked at KOB as the Department Head and later as a member of the Banking Council and the Deputy General Manager.

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

Supervisory Board

Vlastimil Tlustý

Chairman of the Supervisory Board

He 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 the 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, he was a member of the Agricultural Committee, from 1996 he was the Deputy Chairman of the Budget Committee and from 1998 he was its Chairman. Since 2002, has again served as the Deputy Chairman of the Budget Committee. He also holds the post of 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.

Josef Hojdar

Vice-Chairman of the Supervisory Board

He was employed until 1991 by Severočeské uhelné doly at which time he also graduated from the Mining Institute in Ostrava (1980). In addition to running 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 the 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 and 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.

Michal Doktor

Member of the Supervisory Board

After leaving gymnasium in 1985, he worked for a state farm in Třeboň and 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. He is 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.

Vladimír Doležal

Member of the Supervisory Board

After graduating from Prague Technical University in 1988, he worked as a designer in ČKD Praha, Lokomotivka plant. Since 1993, he has been a business manager for the company ATTL, the Deputy Mayor of Dolní Měcholupy (on an external basis) and since 1997 a secretary of the Municipal Authority in Prague 15. He was elected to the Chamber of Deputies of the Czech Parliament for the Civic Democratic Party

(ODS) in 1998 and since 1998 to 2002 is 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.

Miloslav Vlček

Member of the Supervisory Board

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

Membership of other corporate bodies: the Chairman of the Supervisory Board Autoklub Bohemia Assistance, a.s., member of the Supervisory Board of TCHECOMALT GROUP, a.s. (in liquidation).

Pavel Tollner

Member of the Supervisory Board

Graduated from the Technical University in Brno, the Faculty of Civil Engineering. Until 1974, he worked as a designer for DRUEXPO, a production co-operative in Brno, from 1974-1977 as a designer in Investprojekt Brno, from 1978-1980 as a planner in Brnoprojekt Brno and from 1980-1982 as an investment officer in Podnik výpočetní techniky. In the years 1982-1990 he was a production planner, site manager for a foreign construction project and the head officer of the foreign trade department of Průmyslové stavby Brno. From June 1990 to October 2001 he was a deputy of the Czech National Council and afterwards of the Chamber of Deputies of the Czech Parliament. Since 31 October 2001, he has been a member of the Supervisory Board of Česká konsolidační agentura.

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

Pavel Pešek

Member of the Supervisory Board

He graduated from the Agricultural University in 1989 and was employed as an agronomist by a farmer's co-operative in Brloh from 1989 to 1992. In 1992 he was elected deputy of the Czech National Council. From 1993 to 2002 he was 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, he has been a member of the Supervisory Board, since 7 May 2002 he has been the vice-chairman of the Supervisory Board of the Land Fund of the Czech Republic, a member of the Supervisory Board of IMOB a.s. and since October 2003, a member of the Supervisory Board of BH CAPITAL, a.s.

Alfréd Michalík

Member of the Supervisory Board

He graduated from the Mining Institute, Faculty of Metallurgy in Ostrava, Department of Economics and Management of Metallurgy in 1967. In the years 1991 - 1992, he completed a management course organized by the company STELCO in Hamilton, Canada. He worked until 1990 at Železářny and drátovny Bohumín in various economic posts. In the years 1990 - 1992 he was the Deputy Economic Director and in the years 1993 - 1994 he was the adviser to the Director of Železářny and drátovny Bohumín. From 1994 to 1997, he was the Economic Director at KOVONA Karviná, a.s. In 1996, he was elected to the Senate and, after his senator's term of office expired in 2002, he was elected to the Chamber of Deputies of the Czech Parliament. In the Senate, he 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., member of the supervisory board of VIPAP VIDEM Krško, d.d.

Miloslav Kala

Member of the Supervisory Board (since 25 February 2004)

In 1988, he graduated from the Technological University in Brno, Mechanical Engineering Faculty. In 1988 - 1996, he worked with Adamovské strojířny. In 1996 - 2000, he worked in the finance and organisation advisory field. In 2000 - 2002, he was the Mayor of the Town of Blansko. Since 2002, he has been a Member of the Blansko Municipal Council, Czech Parliament Member for the Czech Social Democratic Party, a Member of the Economy Committee, Vice-Chairman of the Mandate and Immunity Committee, Chairman of the Industry and Construction Subcommittee and Member of the Constitutional and Legal Committee.

Membership of other company bodies: Board Member of SŽDC, national organisation (in 2003 - 2004). He resigned on 26 February 2004 relating to his appointment to the ČKA Supervisory Board.

Milan Urban

resigned his post as at 19 March 2003

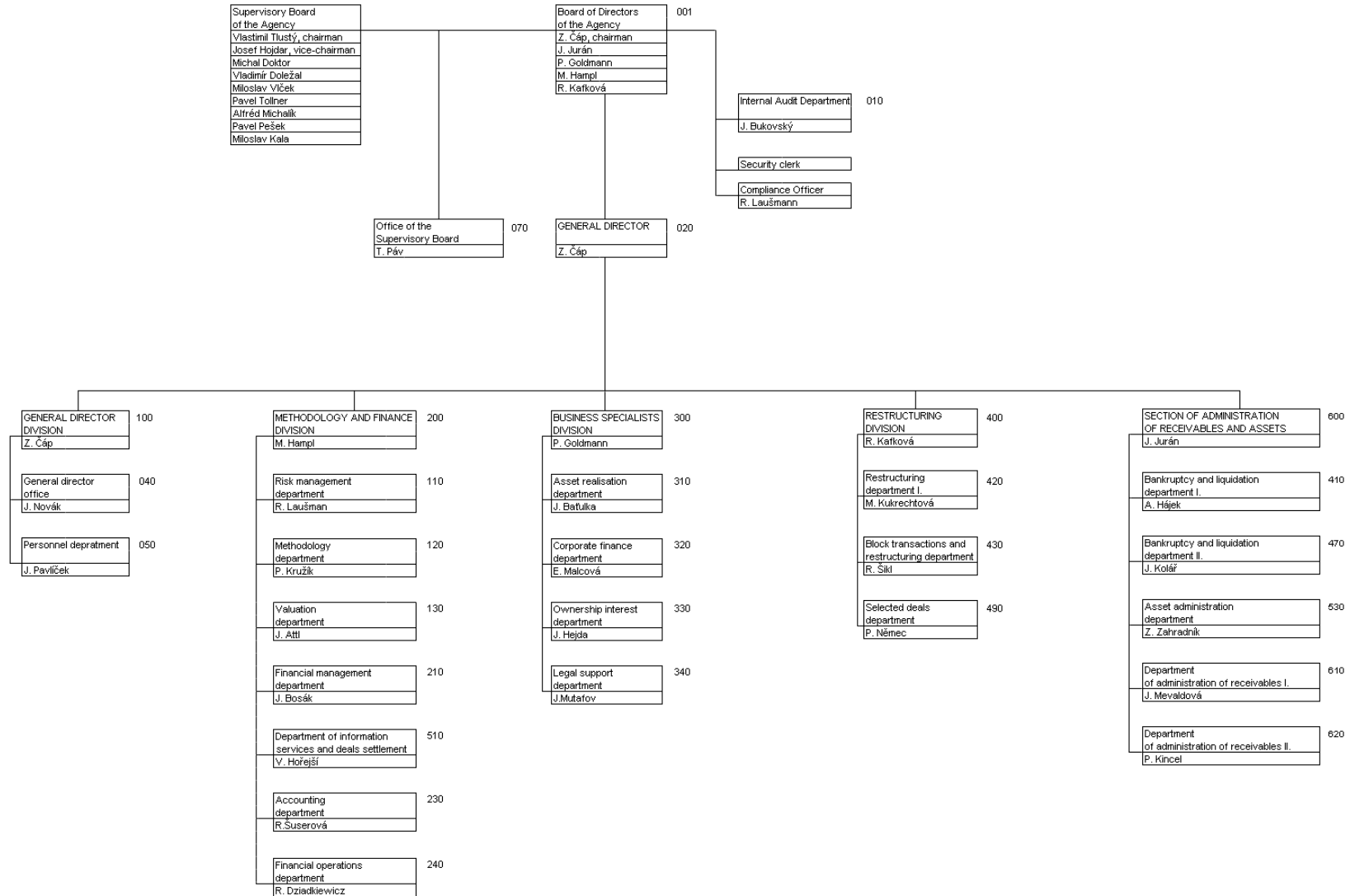
He graduated from the Mining Institute in Ostrava in 1982. He worked in various posts in ČKD Kutná Hora and ČSAO Čáslav. He ran his own business from 1995 to 1998 and since 1998 has been a deputy for the Czech Social Democratic Party (ČSSD) and a member of the Budget Committee. In 2002 he also held the 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.

No member of the Supervisory Board and the Board of Directors listed below has been convicted of a criminal offence against property, nor does he hold any share in the Issuer's registered capital. Except for 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 other such companies.

ORGANIZATIONAL CHART OF ČKA AS AT 1 MAY 2004

status as at 1 May 2004



BACKGROUND INFORMATION

Trade name:	Česká konsolidační agentura
Registered office:	Praha 7, Janovského 438/2, PSČ 170 06
Identification number:	70109966
Legal form:	organization established by a special law
Commercial Court:	ČKA is recorded in the Commercial register maintained with the Municipal Court in Prague, section A, insert 45993
Formation date and relevant legislation:	<p>ČKA was set up by the Act no. 239/2001 Coll., On ČKA (Czech Consolidation Agency) and amending certain other acts (“the ČKA Act”) as of 1 September 2001, i.e. as of the effective date of the ČKA Act. ČKA is a legal successor to KOB Praha, s.p.ú., the latter having been dissolved in accordance with Sect. 19, Act no. 239/2001 Coll., on ČKA as of the Act’s effective date. KOB Praha, s.p.ú. was expunged from the Commercial Register as at 1 September 2001.</p> <p>ČKA is the legal entity in Prague authorised to dispose of the state’s assets as entrusted to it by the ČKA Act, as well as the state’s assets it becomes authorised to dispose of in carrying out its defined activities or relating to their performance.</p>
Date of winding up:	ČKA shall wind up according to the ČKA Act as of 31 December 2011, without liquidation and the state shall be its legal successor, as represented by the Ministry of Finance. Titles and liabilities of ČKA existent at the date of the winding up of ČKA shall devolve to the Ministry of Finance.

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, primarily has supervisory powers. It controls the concrete orientation of ČKA’s activities, performs ČKA’s ownership rights in subsidiaries, and controls whether ČKA performs in accordance with generally accepted rules and the decisions of ČKA’s governing body.

It approves the draft of the Articles of Association and the financial statements, financial operations with assets exceeding CZK 500 million, the establishment of business companies, etc. It supervises particular areas of ČKA’s activities and the exercise of ČKA’s ownership rights in the legal entities in which ČKA holds an ownership interest. It proposes organizational or other measures to the Ministry of Finance or to the Board of Directors personnel.

In terms of its organizational structure, ČKA is subdivided into five Divisions managed by the General Director and four Managing Directors. These Managing Directors are, at the same time, members of the Board of Directors. For competent decision-making on important issues primarily relating to financial or other significant operations of ČKA, advisory collective bodies have been established, namely

commissions and work groups that 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. Termination of KOB activities on 31 August 2001 and establishment of ČKA on 1 September 2001 happened due to new acts. In Act No. 165/1998 Coll., by which act No. 21/1992 Coll. was amended, is stated that KOB can exist till 31 August 2001. 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 that 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 to such an activity. ČKA shall be entered in the Commercial Register, and this 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 a zero risk weight to ČKA (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 clearinghouse.

As part of the changes stipulated by the Act on ČKA, some banking activities that are no longer performed by ČKA were suspended by KOB and subsequently, also by ČKA. Above all, these included the termination of credit activities, as ČKA is not a bank under Act No. 239/2001 Coll. and it is not authorized to provide new loans or receive deposits from clients. KOB cancelled all employees' accounts at the date of its activity termination. 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 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. The main goal is to 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.

ČKA's business activities

Is specified in Sect. 3, Art. 1, Act on ČKA and in No. 3 of Internal Statute, based on which ČKA activities are:

- 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 owing 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
- financial market deposit transactions through Reverse REPO operations,
- automatic data processing,
- software providing,
- designing, creating and operating information systems,
- consulting and advisory services in an IT environment.

INFORMATION ON THE ČKA GROUP COMPANIES

Česká finanční, s.r.o.*

Registered office: V Jámě 1263/6, Praha 1, Postal Code 111 21

Konpo, s.r.o.*

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

PRISKO a.s.*

Registered office: Janovského 438/2, Praha 7, Postal Code 170 066

Revitalizační agentura, a.s. in liquidation

Based upon the decision by ČKA as the sole shareholder in discharge of the powers of its General Meeting, Revitalizační agentura entered into liquidation procedures as of 1 October 2002. On 18 December 2003, upon the decision by ČKA as the sole shareholder in discharge of its General Meeting powers, the final financial statements of Revitalizační agentura, a.s., in liquidation, were approved, together with the final report on liquidation procedures and proposed appropriation of the liquidation balance. The ownership interest was written back as of the same date. The company has not yet been expunged from the Commercial Register.

SANAKON, s.r.o. in liquidation

The company entered into liquidation procedures as of 20 August 2002. On 9 June 2003, based upon the decision by ČKA as the sole shareholder in discharge of its General Meeting powers, the liquidation financial statements of SANAKON, s.r.o., in liquidation, were approved, together with the final report on liquidation procedures. The company was expunged from the Commercial Register as of 17 September 2003.

** Please see the Consolidated Group chapter for details of the companies.*

EVENTS OF 2003: AN OVERVIEW

January

The Procurement Contract for the Settlement of the Sale of Securities was signed on 9 December 2002 between ČKA and the Czech National Property Fund ("NPF"), the latter being the organisation selling its shares to the selected strategic investors through block sales on the Prague Stock Exchange, and became effective on 1 January 2003. The settlement of these transactions, denominated in CZK, is procured for by ČKA through UNIVYC, a.s.

In accordance with the Czech Government Resolutions no. 565 of 29 May 2002 and no. 587 of 5 June 2002, documents were signed on 30 and 31 January 2003 between NPF, ČKA, IFC, ČSOB, HVB and LNM Holdings N.V. ("LNM"), based on which FNM sold 52.5% of its shares in Nová Huť, a.s. to LNM; ČKA ceded receivables from Nová Huť, a.s. to LNM (CZK 3.9 billion); ČKA assumed the debt of Nová Huť, a.s. resulting from the bonds issued by Nová Huť, a.s. (CZK 1.1 billion); and long-term creditors (IFC, ČSOB and HVB) restructured their loans to Nová Huť, a.s. This completed the process of entry by the strategic partner LNM Holdings N.V. and an important step was taken towards restructuring Nová Huť, a.s.

February

On 7 February 2003, based on the Czech Government Resolution no. 1253 of 9 December 2002 and upon consent issued by the Czech Republic Office for Protection of Competition (i.e. the anti-monopoly authority) as well as settlement of the purchase price, the sale of all ČKA assets held in the ŠKODA HOLDING, a.s. group to the strategic investor Appian-Machinery AG was completed. ČKA ceded 29 receivables from 11 companies in the ŠKODA Group at the nominal value of CZK 3.4 billion and, based on the Contract for Purchase of Shares of ŠKODA HOLDING, a.s. and ŠKODA TS, a.s., sold ownership interests at the nominal value of CZK 1.2 billion and book value of CZK 1.8 billion.

March

In accordance with the Contract for Restructuring Plan signed between ČSOB, ČKA and the Czech Ministry of Finance and with the Government Resolutions no. 1000 and 1001 of 14 October 2002, new assets were assumed from ČSOB represented by shareholdings in limited partnerships and by promissory notes at the acquisition cost of CZK 8.1 billion. These are promissory notes transferred from ČSOB based on the Contract for Promissory Note Transfer and Titles Transfer.

ČKA paid the costs arising from payment of the yield generated by the Nová Huť, a.s. bonds at 18 November 2002 to Nová Huť, a.s. (CZK 127 million).

In accordance with the Czech Government Resolution no. 157 of 12 February 2003, ČKA sold its ownership interests in ČKD DOPRAVNÍ SYSTÉMY, a.s., in bankruptcy, of the nominal value CZK 0.5 billion and shares of 17 other companies, out of which a significant nominal value was represented by Letov, a.s., in bankruptcy, worth CZK 0.6 billion.

April

On 9 April 2003, ČKA announced a public tender for the sale of a block of receivables from the debtors declared bankrupt. The block included 2,773 receivables from 1,605 debtors at the total amount of CZK 62.3 billion.

On 15 April 2003, a contract was signed between ČKA and JITONA a.s. for the assignment of the ČKA receivables from TUSCULUM, a.s. The receivables were ceded in accordance with the Czech Government Resolution no. 60 of 13 January 2003 and pursuant to the opinion of the Czech Republic Office for Protection of Competition of 11 March 2003. The assignment of the receivables became effective as of 22 April 2003, the date on which the consideration for the ceded receivables was fully paid up by JITONA a.s..

Based on the Czech Government Resolution no. 284 of 19 March 2003, and upon consent issued by the Czech Republic Office for Protection of Competition, ČKA ceded its receivables from MORA MORAVIA, a.s. amounting to approx. CZK 513 million at 29 April 2003 to MAGNUM Production, a.s.

In accordance with the long-term plan, a sale of shares of Západočeská energetika, a.s. was performed at the book value of CZK 0.7 billion, compliant to the Czech Government Resolution no. 940 of 17 September 2001.

May

On 9 May 2003, a proportion of the purchase price was credited to ČKA for the Vinice Estate, owned by IPB REAL, a.s., charged in favour of ČKA and used to repay the full receivable from IPB REAL, a.s.

ČKA prepared a block of receivables from the economically related group Charouz Holding and announced a single-round public tender on 19 May 2003. A block of 49 receivables from 28 debtors at the total amount of CZK 5.4 billion was put on offer within the public tender.

On 19 May 2003, the Czech Government Resolution no. 654/2001 on the capitalisation of assets in VÁLCOVNY PLECHU, a.s. was realised. The ČKA group acquired a shareholding in VÁLCOVNY PLECHU, a.s., equal to 42.4% of the share capital of that company (ČKA 16.97%, Konpo 25.42%). An increase of the share capital due to the ČKA ownership interest in VÁLCOVNY PLECHU, a.s. at the nominal value of CZK 0.1 billion, pursuant to the Czech Government Resolution no. 654 of 25 June 2001, was recorded in the Commercial Register.

A receivable from the client ECK Generating, at the nominal value of CZK 0.8 billion, was assumed from ČS, a.s.

A sale of shares of Agrobanka, a. s., in liquidation, was realised at the total amount of CZK 0.2 billion in accordance with the Czech Government Resolution no. 246 of 12 March 2003.

The Czech Ministry of Finance settled a proportion of the receivable at the amount of CZK 8 billion arising from the loss for the period of 2001.

June

On 30 June 2003, a loan to VÁLCOVNY PLECHU, a.s. was restructured, under which gradual amortisation of the loan was agreed starting from November 2003.

On 30 June 2003, ČKA published the winning bidder of the public tender for the block of receivables from the economically related Charouz Holding group. The winner was ACT Investment B.V.

As part of the ČKA short-term bond issue plan, approved by the decision by the Czech Securities Commission, the first issue of short-term bonds at CZK 5 billion was issued on 20 June 2003.

July

On 7 July 2003, ČKA published the winning bidder of the public tender for the block of bankruptcy receivables. The winner was AB-REAL Plzeň, a.s. (currently renamed for AB - CREDIT a. s.), with a bid of CZK 1.3 billion.

On 18 July 2003, the sale of a small block of receivables "ČKA08 - Ústí nad Labem and north Bohemia" at the total nominal value of CZK 10 million was realised in accordance with the public tender terms and conditions. On 29 July 2003, the sale of a small block of receivables "ČKA10 - Plzeň and west Bohemia" at the total nominal value of CZK 4.6 million was realised in accordance with the public tender terms and conditions.

Based on the Government Resolution no. 761, 785 and 786 of 2003, ČKA assumed assets of off-shore structures for the purchase price of CZK 49.3 billion.

In accordance with the plans for solution of assets, ČKA sold a block consisting of 49 receivables from ESS Charouz Holding at the book value of CZK 4.3 billion.

August

On 15 August 2003, the Czech Government Resolution no. 302 of 26 March 2003 (as amended and modified by the Government Resolution no. 380 of 14 April 2003) was discharged by signing the Contract for the Assignment of Receivables between ČKA and the Service Facility of the Czech Ministry of Interior, based on which ČKA assigned a proportion of the loan receivable from IPB REAL INVESTMENT, a.s. at accounting value of CZK 550 million.

Based on the tender and upon approval issued by the Czech Ministry of Finance, a sale of a block of receivables in bankruptcy at the nominal value of CZK 55.7 billion and book value amounting to almost CZK 41 billion was carried out.

September

On 4 September 2003, in accordance with the public tender terms and conditions, sales of three small blocks of receivables were realised as follows: "ČKA11 - Ostrava and north Moravia" at the total nominal value CZK 11 million; "ČKA12 - Brno and south Moravia" at the total nominal value of CZK 10.5 million; and "ČKA13 - Prague and central Bohemia" at the total nominal value of CZK 21.7 million.

On 19 September 2003, a transfer was performed of the shares of VÍTKOVICE, a.s. held by FNM ČR and PAL a.s. and an effective cession of the ČKA receivables from VÍTKOVICE, a.s. to LAHVÁRNA OSTRAVA a.s. In that manner, the transaction involving the sale of VÍTKOVICE, a.s. (in accordance with the Czech Government Resolution no. 832 of 6 August 2003 on completion of financial restructuring and

privatisation of VÍTKOVICE, a.s., or Czech Government Resolution no. 198 of 24 February 2003 on completion of financial restructuring and privatisation of VÍTKOVICE, a.s.) was successfully finalised.

The sale of an ownership interest in PVT, a.s. at the book value of CZK 1.3 billion was realised in accordance with the Czech Government Resolution no. 803 of 6 August 2003.

On 22 September 2003, the first issue of the short-term bonds was repaid. Under the issue scheme of ČKA short-term bonds, approved by the decision of the Czech Securities Commission, the second issue of short-term bonds, with a maturity of 13 weeks and at the total amount of CZK 5 billion was released on that very day.

On 9 June 2003, in accordance with the adopted rapid divesting strategy of ČKA assets, the General Meeting of the Company approved the liquidation of the fully owned subsidiary ČKA SANAKON, s.r.o., in liquidation (the company entered the liquidation procedure as of 20 August 2002), and further approved the final report on the liquidation process and liquidation financial statements. The liquidation was completed after the final account in September 2003.

The Czech Ministry of Finance paid the residual loss for 2001 at the amount of CZK 10.6 billion.

October

ČKA evaluated the tender for the purchase of the full ownership interest in IPB Real, a.s.

November

As part of the first issue scheme for medium and long term bonds, ČKA bonds at the amount of CZK 5 billion and maturing in 7 years were issued on 5 November 2003.

As a Result of the Czech Government Resolution no. 1152 of 12 November 2003, ČKA assets held in the UNIPETROL group were included in the joint sale together with the government ownership interest in UNIPETROL, a.s. The included companies are as follows: ALIACHEM a.s., PARAMO, a.s., SPOLANA a.s. and BENZINA a.s.

On 18 November 2003, ČKA paid the Nová Hut', a.s. liabilities originating from the issued bonds at CZK 1.1 billion, as stipulated by the Czech Government Resolution no. 587 of 5 June 2002. All tasks resulting from the Resolution were completed by the transaction.

As at 30 November 2003, as part of the so-called Ring Fencing, ČKA acquired receivables due by MORA MORAVIA, a.s. at the approximate amount of CZK 74 million from ČS, a.s.

December

On 4 December 2003, the contract of mandate for procurement of a bond issue was signed between the SŽDC national organisation and ČKA as the lead arranger.

On 8 December 2003, a decision by the Czech Securities Commission concerning the second issue scheme for medium and long term bonds at the total amount of CZK 20 billion, with a scheme duration of 8 years and maturity of separate issues of up to 15 years came into legal force.

In accordance with the Czech Government Resolution no. 1152 of 12 November 2003, receivables from BENZINA a.s. at the nominal value of approx. CZK 1.1 billion ensuing from the extended syndicated loan were assigned to ČKA from KB, a.s. and ČS, a.s. on 11 December 2003 and 12 December 2003.

ČKA realised the sale of the ownership interest in IPB Real, a.s., book value of CZK 1.1 billion, in accordance with the Czech Government Resolution no. 1282 of 17 December 2003.

On 19 December 2003, the sale of the small receivable block "ČKA14 - south-east Bohemia" at the total nominal value of CZK 3.1 million was realised in accordance with the public tender terms and conditions.

On 22 December 2003, the second issue of short-term bonds was paid up. On that same date, ČKA issued the third issue of short-term bonds at the amount of CZK 5 billion that will be repaid at 22 March 2004.

On 23 December 2003, ČS, a.s. paid the subordinated loan of CZK 5.5 billion to ČKA.

Over the course of December, 70% of the expected payment from concluded contracts for the assignment of receivables of health insurance companies from the health insurance payers was paid.

In accordance with the plan for rapid discontinuation of the ČKA business, the General Meeting approved the liquidation of the fully owned subsidiary Revitalizační agentura, a.s., in liquidation, by approving the extraordinary financial statements of the latter company for the period ended 31 July 2003 and a report by the liquidator. In December 2003, the General Meeting decided to terminate the liquidation of Revitalizační agentura, a.s., which was accomplished by appropriating the liquidation balance to the sole shareholder on 7 January 2004.

Based on the call by KB, a.s. for advance performance, claimed in accordance with the Guarantee Contract, an advance payment was made at 31 December 2003 at the amount of CZK 5,861,745,964.70 (the payment was fully covered by the National Property Fund).

DESCRIPTION OF ACTIVITY

1. Patents, licences

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

2. Information on litigations, administrative or arbitration proceedings

In discharge of the ČKA scope of business as defined by the ČKA Act and primarily including the purchase, sale and management of receivables, ČKA, similar to its legal successor KOB Praha, s.p.ú., has been actively involved in conducting court, administrative, or, arbitration proceedings.

The following arbitration proceedings could significantly impact the financial position of ČKA in 2003:

EC Group, a.s., the winner of the public tender for the assignment of the ČKA 04 block of receivables, filed 11 actions against ČKA with the Arbitration Court at the Economic Chamber of the Czech Republic and Agrarian Chamber of the Czech Republic in August 2003. The actions were to recover unjustified enrichment and to conclude contracts for receivable repurchase. An overall value of these disputes was approx. CZK 600 million. In the beginning of November 2003, arbitration awards were issued on the above proceedings, by which the proceedings were finally and conclusively closed. Based on the arbitration awards, ČKA compensated EC Group, a.s. for a total of approx. CZK 376 million. This payment by ČKA has not impacted ČKA's capacity to fulfil its liabilities arising from the issued bonds.

In October 2003, ČS, a.s. filed an action with the Arbitration Court at the Economic Chamber of the Czech Republic and Agrarian Chamber of the Czech Republic to pay the amount of CZK 241,783,906.97 and relevant interest and charges, in relation to the dispute on the so-called Motivation Fees under the Restructuring and Guarantee Agreement signed on 1 March 2000 between KOB Praha, s.p.ú., ČS, a.s. and CORFINA, a.s.

On 25 August 2003, Ing. Bedřich Brabec (a shareholder of KORADO, a.s.) commenced arbitration proceedings against ČKA, EBRD and Messrs. Menčík, Petr and Vobora (shareholders of KORADO, a.s.) before the International Court of Arbitration in London. With regard of ČKA, the petitioner claims that the Company has a duty to notify KORADO, a.s. of the assignment of its receivables resulting from all loan contracts, a duty to surrender to the petitioner through an endorsement of the ownership title to the shares of KORADO, a.s. and a duty to hand the title over to him. Further, he is claiming damages.

3. 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 are 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 be considered material from the point of view of the Securities Act. As it would technically be very difficult

and demanding to publish and update a database of all contracts specified in such a manner and entered into by ČKA. As such, we quote here only four contracts concluded in the years 2000 through 2003, which are, in our opinion, the most important ones:

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, until the "Restructuring plan" is agreed directly between KOB/ČKA and ČSOB. 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.

On 15 August 2002, based on the Contract on the restructuring plan, a new Contract for a future contract to transfer receivables from the bank and for custom guarantees was agreed.

Based on this contract, ČKA received the following assets from ČSOB:

Asset	Net accounting value of assets at 19 June 2000 in CZK million	Purchase price at cession date in CZK million
Receivables	96,063.1	105,317.2
Securities	6,213.0	6,890.0
Non-movables	1,012.5	1,316.0
Total 2000 - 2002	103,288.6	113,523.2
Receivables	0.0	162.5
Securities	49,873.6	57,406.8
Non-movables	142.5	0.0
Total 2003	50,016.1	57,569.3
Total received	153,304.7	171,092.5

Contract on restructuring and guarantees, entered into by 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. At the same time, ČKA 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.

Based on the Czech Government Resolution No. 144/2000 concerning privatization of the state ownership interest in the business activities of ČS, a.s. dated on 2 February 2000 and in accordance with the Contract on the restructuring and guarantee, the following transactions were made:

- 30 June 2001: cession of the first part of receivables (1,155 receivables) from ČS, a.s. in the nominal value of CZK 7,905.9 million. The cession price of these receivables was CZK 4,682.5 million.
- 30 June 2002: cession of the second part of receivables (648 receivables) from ČS, a.s. in the nominal value of CZK 6,570.9 million. The cession price of these receivables was CZK 4,110.4 million.
- 31 May 2003: cession of receivables from ECK Generating s.r.o. from ČS, a.s. in the nominal value of CZK 814.2 million. The cession price of these receivables was CZK 755.7 million.
- Cession of receivables from 82 overdraft accounts in total amount of CZK 616.8 million. The cession price of these receivables was CZK 584.1 million.
- Cession of receivables from bank guarantees given in the total amount of CZK 43.3 million. The cession price of these receivables was CZK 43.1 million.
- 12 December 2003: cession of receivables from BENZINA a.s. from ČS, a.s. in the nominal value of CZK 569.8 million. The cession price of these receivables was CZK 569.3 million.
- Cession of two receivables based on a loan contract withdrawing a total amount of CZK 0.1 million through charge cards. The cession price of these receivables was CZK 0.1 million.
- Issuance of guarantees (announcement of guarantee) for seven receivables of ČS, a.s. (loans, off-balance sheet in CZK) in the total amount of CZK 14.2 million.
- Utilization of a guarantee of 1,224 receivables in a total amount of CZK 481.8 million in Czech clients CORFINY (now Leasing ČS) and of 67 receivables in a total amount of CZK 48.0 million in Slovak clients (CF Danube Leasing, s.r.o.).

During the year 2003, six batches totalling 405 receivables in a nominal value of CZK 60.77 million were sold. The only unsuccessfully realized batch was ČKA09 - Slovak Republic, which consisted of receivables from CF Danube Leasing, s.r.o.

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 with 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.

On 30 October 2003, KB, a.s. delivered an appeal to ČKA for down payment in the amount of CZK 5,861,745,964.70. ČKA paid the whole amount before 31 December 2003. At 31 December 2003, in accordance with the agreement, no announcement concerning the preparedness to provide payment was made.

Letter of Intent to conclude a purchase contract in accordance with Sect. 289 of the Act no. 513/1991 Coll., Commercial Code, as amended, and on the conditions of providing an advance for the purchase price in accordance with the provisions of Sect. 269 of the Act no. 513/1991 Coll., Commercial Code, as amended.

The Letter of Intent was signed on 7 October 2003 between the Czech Republic, acting through the Ministry of Finance, ČKA and Správa železniční dopravní cesty, a national organisation (Railway Traffic Route Administration, "SŽDC"). By signing the Letter, the Czech Republic undertook to conclude a future purchase contract with ČKA for the sale of real properties owned by the Czech Republic that have been marked, under Annex 2, Act no. 77/2002 Coll., to cover liabilities of České dráhy, a.s., a national organisation, and to match the conditions under which ČKA will credit the account of SŽDC (that being the property manager) with an advance for the purchase price for the said real properties. Based on the Letter, ČKA provided an advance of CZK 1 billion for the sale of the real properties as set out in Annex 2, Act 77/2002 Coll., clauses 1, 2 and 4 (structures and land) and an advance of CZK 1.2 billion for the sale of residential buildings as set out in Annex 2, Act no. 77/2002 Coll. (residential buildings approved for privatisation) to SŽDC on 21 October 2003.

Contract of Mandate for procurement of a bond issue

On 10 September 2003, the Czech Government adopted its Resolution no. 908, by which (in clause 2 of Art. III.) it gave its consent to a bond issue of the issuer SŽDC national organisation up to the maximum amount of CZK 7 billion and maturing in five to ten years, to be arranged by ČKA. Pursuant to the Resolution, SŽDC appointed ČKA to arrange the bond issue in accordance with the terms and conditions set out in the Contract of Mandate for procurement of a security issue signed by both parties on 5 December 2003.

Master agreements on assignment of receivables signed with health insurance companies

Based on the Czech Government Resolution no. 1184 of 19 November 2003, from 16 through 19 December 2003, ČKA signed nine master agreements with health insurance companies on the assignment of receivables. The following health insurance companies are included in the agreements: Zdravotní pojišťovna METAL - ALIANCE; Vojenská zdravotní pojišťovna ČR; Česká národní zdravotní pojišťovna; Zaměstnanecká pojišťovna ŠKODA; Zdravotní pojišťovna Ministerstva vnitra ČR; Oborová zdravotní pojišťovna zaměstnanců bank, pojišťoven a stavebnictví; Revírní bratrská pokladna; Zdravotní pojišťovna; Hutnická zaměstnanecká pojišťovna; and, Všeobecná zdravotní pojišťovna ČR. The scope of the agreements is an arrangement on the method of carrying out the assignment of receivables of the health insurance companies from the health insurance payers whose assets have been declared bankrupt; receivables of the health insurance companies that have been detected in the course of a composition procedure; or, receivables identified during a composition procedure and amounting to more than CZK 300,000. Under the master agreements, ČKA should provide payments totalling CZK 2,946,422,199 in two stages. The first advance of CZK 2,062,495,539.30 (i.e. 70% of the estimated performance) was paid on 22 December 2003. ČKA should pay up upon assumption of the receivables no later than 31 October 2004.

4. 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 of 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 state-owned assets that it is authorized to administer to the business company, 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 and 2003 ownership interests were transferred to ČKA primarily in connection with the transaction ČSOB/IPB.

In the years 2000 - 2003, the following main operations were realized in connection with investments in ownership interests and bonds:

Year 2000

- In February, KOB established a subsidiary SANAKON, s.r.o., with 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 5.013 billion, representing a 30% share in the registered capital of the company.
- In June, KOB purchased Česká finanční, s.r.o. by contributing CZK 13.834 billion, which represented a 100% share in the registered capital.
- In June, KOB also acquired the shares of the company ŠKODA HOLDING, a.s., at the aggregate nominal value of CZK 1.050 billion, 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 billion, 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 51 % business share in the company SANAKON, s.r.o.

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 strategic investors - 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 acquisition of ownership interest of CZK 1.4 billion by an increase of the registered capital, based on the capitalization of receivables.

- KOB acquired a share in the company WALTER, a.s., amounting to CZK 1.5 billion (a 45.91% share in the registered capital).
- KOB purchased 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.
- The registered capital of the company Revitalizační agentura, a.s. was increased by CZK 170 million.

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 železářny, a.s. TŽ 10.65/09 at the aggregate nominal value of CZK 1 billion were transferred to ČKA.
- By capitalizing receivables from the company ŠKODA TS a.s., ČKA acquired an ownership interest in this company at the nominal value of CZK 118 million (a 63.44% share in the registered capital).
- By capitalizing receivables from the company KRÁLOVOPOLSKÁ, a.s. ČKA acquired an ownership interest in this company at the nominal value of CZK 208 million (a 21.85% share in the registered capital).
- By capitalizing receivables from the company ČKD PRAHA HOLDING a.s., ČKA acquired an ownership interest in this company at the nominal value of CZK 3,867 million (a 47.47% share in the registered capital).

- ČKA acquired an 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 an 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.

Year 2003

- On 11 March 2003, ČKA acquired shares in limited partnerships with ARTA REAL, k.s., CZ CREDIT REAL, k.s. and GALILEO REAL, k.s. based on the Contract of limited partner share transfer, agreed between ČSOB, a.s. and ČKA. ARTA REAL, k.s. amounted to CZK 1,400,000 thousand (i.e. 48.28% share capital), CZ CREDIT REAL, k.s. amounted to CZK 900,000 thousand (i.e. 31.03% share capital) and GALILEO RAEL, k.s. amounted to CZK 900,000 thousand (31.03% share capital).
- In accordance with the Redemption contract, agreed on 31 July 2003 between the Czech Republic, ČKA, ČSOB, a.s. and other contractual parties (the subjects of off-shore structures of ČSOB, a.s.), the following shares were included (ČKA's part of the capital share is stated in brackets): ADEX, a.s. (91.28%), AERO Vodochody a.s. (0.01%), Armaturka Česká Třebová, a.s. in liquidation (9.77%), Autoklub Bohemia Assistance, a.s. (67.33%), BH CAPITAL, a.s. (71.89%), BRNO INN, a.s. (25.83%), CONSUS INVESTIČNÍ FOND a.s. (13.61 %), CRF Praha a.s. v likvidaci (100.00 %) ČEZ, a. s. (0.04 %), ELITEX, akciová společnost, (10.11 %) CHEMAPOL GROUP, a.s. (14.71 %) IMOB a.s., (11.36 %), INTEGRA, a.s. (20.41 %), Investiční fond obchodu, cest.ruchu a služeb, a.s., (33.73 %), IPB REAL INVESTMENT, a.s. (100.00 %), ISPAT NOVÁ HUŤ a.s. (0.42 %), Jihočeské lesy České Budějovice, a.s. (36.36 %), Jihočeské papírny, a.s., Větrní (38.89 %), Křišťálový investiční fond, a.s. (39.20 %), Lesní společnost Hradec Králové, a.s. (21.13 %), Letov, a.s. (17.46 %), Mostárna Hustopeče, a.s. (4.15 %), MUZO, a.s. (20.86 %), První východní a.s. (100.00 %), Přerovské strojírny a.s. (11.81 %), Svit, a.s. Zlín (17.15 %), ŠKODA a.s. (6.65 %), TCHECOMALT GROUP, a.s. (99.93 %), Výzkumný ústav pivovarský a sladářský, a.s. (32.93 %), Výzkumný a zkušební letecký ústav, a.s. (16.09 %), ZSE Praha a.s. - Holding (1.18 %).

5. Non-financial investments

The following 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. In the years 2001 - 2003, ČSOB, a.s. transferred 16 real estates to ČKA with an acquisition price of CZK 1,298 million.

(in CZK million)	31. 12. 1998	31. 12. 1999	31. 12. 2000	31. 12. 2001	31. 12. 2002*)	31. 12. 2003
Investments total	50	47	196	1,013	713	185
of which:						
Buildings	8	12	0	955	220	166
Other investments	42	35	196	58	493	19

*) other investments include advances for the acquisition of tangible and intangible assets (CZK 167 million) due to a change of accounting methodology from 1 January 2002.

Construction investments planned for 2003 (over CZK 100,000)

		expected price
a)	building - Praha 7, nábrř. Kpt. Jaroše 1000	
	- change of regulation system M and R	CZK 250,000
	- modernization PbTÚ	CZK 660,000
b)	building - Praha 7, Janovského 438/2	
	- change of system - addition of water heating	CZK 400,000
c)	building - Praha 1, Na Příkopě 3-5	
	- delivery and installation of air conditioners on the fifth floor	CZK 550,000

Construction investments drawn in 2003 (over CZK 100,000)

		expected price
a)	building - Praha 7, nábrř. Kpt. Jaroše 1000	
	- change of regulation system M and R	CZK 250,000
	- modernization PbTÚ	CZK 660,000
b)	building - Praha 7, Janovského 438/2	
	- change of system - addition of water heating	CZK 400,000
c)	building - Praha 1, Na Příkopě 3-5	
	- delivery and installation of air conditioners on the fifth floor	CZK 550,000

List of real property owned by the Czech Republic, administered by the Agency (ČKA) as at 31 December 2003

	Property	Ident. number	Number of the plot	are (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, nábrř. 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	394	17,417
7.	Pozemky Letňany		544/50, 52, 54, 55, 84, 85, 86, 87, 547/9, 808/2	29,891	26,299
8.	Praha 5, Kříženeckého nám.	1078	885/14	2,871	76,602
10.	Praha 1, Hybernská 2,4	997,998	510, 511	5,173	free

Number of employees

Average number of employees and changes in the number of employees from the previous years:

1997	379 employees
1998	369 employees
1999	399 employees
2000	581 employees
2001	582 employees
2002	568 employees
2003	538 employees

6. Information on the main areas of activity

ČS, 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., the cession of selected receivables from ČS under the guarantee of ČKA continued in the year 2003, i.e. a total of 38 receivables in the nominal value CZK 1,745 million, while the cession price was CZK 1,685.4 million.

At the same time, the right of guarantee was exercised in the case of 365 receivables with an aggregate amount of CZK 146.9 million from Czech clients of the company Leasing ČS, a.s. and CORFINA TRADE, s.r.o. and 26 receivables in the aggregate amount of CZK 40.3 million from Slovak clients of the company CF Danube Leasing, s.r.o.

KB - 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., KB, a.s. delivered an appeal to ČKA for down payment in the amount of CZK 5,861.7 million on 30 October 2003. ČKA paid the whole amount before 31 December 2003.

On 31 December 2003, the period (from 1 January 2001 till 31 December 2003) during which the selected risky assets of KB, a.s. were guaranteed under the ČKA guarantee finished. Once the losses of KB, a.s. are identified, the guarantee will be settled in 2004.

Cession of receivables from ČKA

During the year 2003, receivables in the nominal value of CZK 78.5 billion (accounting value CZK 60.3 billion) were sold. The most significant part of sold receivables was ceded through the sale of batches in the nominal value of CZK 55.7 billion (accounting value CZK 40.9 billion).

Loan activities

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 is therefore not entitled to provide new loans. In the case of existing loans, ČKA focused on individual solutions for client cases, the repayment of their loans and the overall management of 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, to achieve greater 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 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. Overdue debts were 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 legal position of the creditors and 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.

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:

- more aggressively entering into the receivables market, namely by selling the paČKA ge of receivables, but also by assigning receivables to individually interested parties with the aim of immediate collection;
- performing administration and realizing assets, including the settlement of receivables of the old block, with the aim of minimizing costs and maximizing proceeds related thereto;
- securing legal treatment and a subsequent active, efficient and flexible administration of assets, taken over especially as part of receivable transfers from ČS, a.s. and ČSOB, a.s.;
- performing 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 for which the relevant conditions have been complied by the Client.

Bankruptcies and liquidations

Bankruptcies

During the calendar year of 2003, a significant drop of 45.1% occurred compared to the previous balance of ČKA's receivables from bankrupt clients, which resulted in a decrease to CZK 67.8 billion of their nominal value from 1,102 insolvent debtors at 31 December 2003. The drop in the balance of the above receivables from bankrupt clients was impacted specifically by the completed sale of receivables included in the ČKA 05 bankruptcy block at the nominal value of CZK 55.7 billion.

Another reason for the drop in receivables from bankrupt clients during the year 2003 was the cancellation of the bankruptcy processes after fulfillment of the rule that says that the process is

stopped when the value of the bankrupt property is not sufficient to cover all costs of the bankruptcy process. These receivables were written off into ČKA expenses, or in some cases ČKA claims receivables in the name of guarantors. In the 4th quarter, based on government resolution no. 908, dated 10 September 2003 ČKA received bankruptcy receivables from former České dráhy. These include unsecured receivables that have been identified in full in the review meeting under the relevant bankruptcy proceedings. In December 2003, in accordance with the Czech Government Resolution no.1184 + P of 19 November 2003, ČKA commenced implementation of the project for the assignment to ČKA of a proportion of receivables of the health insurance companies from the health insurance payers in default. Master agreements on the assignment of receivables, to assign receivables amounting to CZK 2.9 billion, have been signed with nine health insurance companies under the project.

Liquidations

These involve a specific group of clients at risk who are not already gainfully employed and satisfy their creditors' claims solely using the resources generated by the sale of chattels, properties and other assets. At 31 December 2003, 110 clients in liquidation were recorded with the nominal value of CZK 15.4 billion. In comparison with the year 2002, the number of clients in liquidation decreased by 18 and by a nominal value of CZK 0.7 billion.

Reducing the numbers of clients in liquidation has been handled primarily by assignments of receivables for consideration (both block and individual assignments). A significant proportion of such clients end up in bankruptcy instituted due to the petition lodged either by the debtor, by ČKA or by another creditor. The number of clients in liquidation whose debt is eventually repaid in full is minimal. Receivables from the above clients are therefore required to be resolved first through court procedures, by filing complaints for repayment of amounts owed with the court of jurisdiction. In the event of final and conclusive titles (judgments, payment orders), the client may be subsequently resolved through the distraintment.

Sale of real property

Based on the state guarantee contract dated 19 June 2000 and the Restructuring plan contract dated 31 August 2001, ČSOB, a.s. ceded a total of 16 real estate properties to ČKA in the amount of CZK 1,297,820,209.65. All these properties were offered for the use of state organizations. Six properties in the total amount of CZK 747,712,832.15 were voluntarily transferred. Another eight properties in the amount of CZK 447,033,193.51, for which state organization did not find any use, were sold in a voluntary tender for CZK 386,605,000.00. The last two properties amounted to CZK 103,074,183.00. One of these will be offered for sale in a tender in the first quarter of 2004 and, based on current strategy, the second property will be sold directly during the years 2004 or 2005.

Further on, based on government resolution no. 302, dated on 26 March 2003 and no. 380, dated on 14 April 2003 and an assigned letter from the Minister of Finance (no. 06/33520/2003, dated on 15 April 2003), voluntary transfer of the Hybernaska area 997,998/2,4 Prague 1 from the Ministry of the Interior to ČKA occurred. Properties will be sold through a tender in the 3rd quarter of 2004.

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. On 1 April 1998, a total of 22,079 accounts of preferential loans for the co-operative housing scheme at the aggregate value of CZK 16.1 billion. Accordance to agreed repayment calendar, the last repayments should be payable in the year 2035. Besides ordinary repayments, there are semi annually 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 2003, a total of 6,122 loans for the co-operative housing scheme ("the CHS") at the aggregate value of CZK 6.6 billion were repaid and the total balance of receivables related to the CHS loans amounted to CZK 9,470.5 million, out of which CZK 0.3 million were overdue. On the grounds of non-performance, ten receivables for the CHS loans totaling CZK 1.8 million had to be resolved. These include the following receivables:

- Nine receivables (CZK 768,900) from the housing co-operative Bytové družstvo Kavčí skála Říčany whose assets were declared bankrupt in October 1998. This has been the very first case of a housing co-operative ending up in bankruptcy. Flats have been included in the bankruptcy assets. In addition to a series of incidental actions, a constitutional complaint has been lodged against the inclusion of a flat in the bankruptcy assets of the debtor. The pending decision by the Constitutional Court in Brno will be relevant for further steps.
- One receivable (CZK 981,200) from housing co-operative 2. Stavební bytové družstvo občanů v Praze 4, Bránická ul. 89, arose from the loan extended for building penthouses, the construction of which was then discontinued reportedly on the grounds of a failure to comply with the environmental health and environmental protection regulations. Distraintment upon the co-operative's assets was ordered by a court decision in November 2003.

The overall payment discipline of housing co-operative remains good. Given the specific features of the above portfolio, and taking into account conclusions of legal analyses commissioned in relation to considered solutions of the CHS, we hold the opinion that, after the activities of ČKA are discontinued, receivables from the CHS loans should be left to the state represented by the Czech Ministry of Finance or another organisation established by the government to enable control by the Czech Ministry of Finance due to its role as the provider of governmental support.

7. Interbank and capital market, liquidity management

ČKA operated on interbank and capital market as a financial institution with large volumes of deposits, FX operations and issues of bonds, which were mostly connected with:

- the financing of purchase prices of ceded assets from ČSOB, a.s., KB, a.s. and ČS, a.s. in accordance with relevant contracts
- the financing of ceded payables and receivables from health insurance companies and SŽDC (former Czech railways)

From May to October 2003, ČKA concluded an IRS (interest rate swap) in the total amount of CZK 10 billion to hedge its interest position.

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 4.047 billion. At the end of the year, the balance of deposit accounts was CZK 3.486 billion.

Promissory notes

In the course of the year, ČKA issued promissory notes with various maturities for some subsidiaries, receivers and banks. The aggregate value of sums of the issued promissory notes amounted to approximately CZK 3.308 billion, of which CZK 1.006 billion related to banks. As at 31 December 2003, the value of sums of promissory notes within terms remained at CZK 6.075 billion.

Deposits of the National Property Fund

NPF had approximately CZK 20 billion available in the ČKA account. During the year, the final balance decreased to CZK 900 million

Loans and deposits received

During the year, ČKA received revolving loan commitments in the volume of CZK 3 billion, from which ČKA was drawing tranche based on liquidity needs. At 31 December 2003, the balance of the loan commitment was CZK 10.2 billion.

Loans received and loan commitments

At 31 December 2003, loan commitments at the aggregate value of CZK 29.5 billion were received. With the aim of reducing refinancing costs, ČKA exercised its right to an early repayment in January 2003 of a syndicated loan (CZK 3.2 billion) received in May 2000 to finance construction of the Radio communication 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.

8. Investments

Investments of ČKA at 31. 12. 2003 with a share of the share capital higher then 5 %

Company name	ID	Share Capital (CZK'000)	Share ČKA on SC (%)
CRF Praha a.s. v likvidaci	64949214	434,378	100.00
Česká finanční, s.r.o.	47450622	200	100.00
IPB REAL INVESTMENT, a.s.	25748360	50,000	100.00
Konpo, s.r.o.	26149729	100	100.00
První východní a.s.	25076396	5,000	100.00
PRISKO a.s.	46355901	794,760	100.00
TRUSTFIN akciová společnost	60196262	251,000	100.00
VSM ČR akciová společnost, v likvidaci	25673963	1,000	100.00
ZVI a.s.	47673621	228,000	100.00
TCHECOMALT GROUP, a.s.	25308882	400,000	99.93
ADEX, a.s.	00669202	385,296	91.28
BH CAPITAL, a.s.	00546682	1,020,248	71.89
Autoklub Bohemia Assistance, a.s.	61859559	120,000	69.00
KRÁLOVOPOLSKÁ, a.s.	46347267	311,097	67.00
ARTA REAL, k.s.	26174545	2,900,000	48.28
Výzkumný a zkušební letecký ústav, a.s.	00010669	750,968	47.55
ČKD PRAHA HOLDING, a.s.	00001813	8,144,968	47.47
Investiční fond obchodu, cestovního ruchu a služeb, a.s.	43875157	595,407	39.84
Jihočeské papírny, a.s., Větrní	00012297	2,444,052	38.89
Jihočeské lesy České Budějovice, a.s.	47239263	700,413	36.36
České aerolinie a.s.	45795908	2,735,510	34.59
KORADO, a.s.	25255843	840,700	34.22
Výzkumný ústav pivovarský a sladářský., a.s.	60193697	69,055	32.93
CZ CREDIT REAL, k.s.	26174553	2,900,000	31.03
GALILEO REAL, k.s.	26175291	2,900,000	31.03
AERO Vodochody a.s.	00010545	2,691,926	29.01
BRNO INN, a.s.	60700238	240,000	25.83
Lesní společnost Hradec Králové, a.s.	47452706	678,994	21.13
MUZO, a.s.	00001155	102,000	20.86
INTEGRA, a.s.	60196530	838,992	20.41
Letov, a.s.	00010626	1,798,833	17.46
Svit, a.s. Zlín	00013552	2,415,044	17.15
VÁLCOVNY PLECHU, a.s.	14613581	688,241	16.97
CHEMAPOL GROUP, a.s.	00000744	2,506,404	14.71
ZVVZ a. s.	00009041	677,011	13.92
CONSUS INVESTIČNÍ FOND a.s.	10000500	522,861	13.61
Přerovské strojírny a.s.	00008311	345,941	11.81

IMOB a.s.	60197901	2,200	11.36
E L I T E X, akciová společnost	00483150	65,610	10.11
SPOLANA a.s.	45147787	4,998,494	9.76
ŠKODA a.s.	00213101	9,479,710	6.65
První česko-ruská banka, s.r.o.		2,916,110	5.52
Union Group, a.s.	64609952	2,300,000	5.22

In the year 2003, investments in the companies ŠKODA HOLDING a.s. (48.40%), ŠKODA TS a.s. (63.44%), Západočeská energetika, a.s. (1.98%), PVT, a.s. (37.01%) and IPB Real, a.s. (100%) were sold.

Based on a transfer contract for "Non-Voting Participating Shares" (NVS) agreed between ČSOB, a.s. as seller and ČKA as buyer dated 31 July 2003, individual NVS, including the rights connected with NVS, were transferred. The total acquisition price was CZK 49.3 billion. Based on a Redemption contract signed 31 July 2003, redemption of NVS for contracted assets were exchanged as stated in the contract. Off-shore structures assets consisting of receivables, financial sources and securities were transferred from ČSOB, a.s. 39 times in total amount of CZK 14.6 billion.

9. Information on development of activities - selected businesses

SPOLANA a.s.

The company is semi-annually monitored in the form of the report on performance of the medium-term plan for 2001 - 2004, submitted to the Czech Republic Office for Protection of Competition in accordance with its decision of 7 March 2001. At 1 August 2003, the company discontinued its operation - production of linear alpha-olefins - by which they practically finalised the operations restructuring process. It fulfill all its liabilities to ČKA.

Based on the Czech Government Resolution of 12 November 2003, overdue receivables from SPOLANA a.s., together with the ČKA's ownership interest in the company, have been included in the joint sale of ČKA's assets and the state ownership interest in UNIPETROL, a.s.

Zetor, a.s.

The residual purchased price for the assignment of ČKA's receivables from Zetor, a.s. was realised in January 2004.

TRUSTFIN akciová společnost

Receivables from the company are addressed in accordance with the Government Resolution no. 996 of 8 October 2003 that replaced the Government Resolution no. 1233 of 9 December 2002, i.e. their sale is under preparation, together with the ČKA ownership interest in the company.

JAN DOHNAL - PULS - podnik obchodních a inženýrských služeb

All ČKA receivables from the company are overdue and the process of realising charged assets through enforced auctions has been commenced. The auction results cannot be expected to yield full coverage of the loan residual. The issue is likely to be resolved in the form of a sale of receivables.

ALIACHEM a.s.

The company has been finalising the overall restructuring process and fulfil all its liabilities to ČKA. Based on the Czech Government Resolution of 12 November 2003, receivables from ALIACHEM a.s. have been included in the joint sale of ČKA's assets and the state ownership interest in UNIPETROL, a.s.

BENZINA a.s.

Based on the Czech Government Resolution of 12 November 2003, ČKA assumed, on 11 and 12 December 2003, receivables of KB, a.s. and ČS, a.s. from BENZINA a.s. arising from a syndicated loan. In accordance with the above Government Resolution, receivables from BENZINA a.s. have been included in the joint sale of ČKA's assets and state ownership interest in UNIPETROL, a.s.

KORADO, a.s.

In view of the fact that the sale transaction failed to be finalised in accordance with the above Resolution, all involved parties agreed, on 5 August 2003, to terminate the tender for the sale of the company's assets. KORADO, a.s. has fulfilled all its liabilities to ČKA.

Královopolská, a.s.

ČKA acquired a shareholding of the company by capitalising its receivable from the company, based on the Government Resolution no. 1079/2000 on the financial restructuring of the company's liabilities. Currently, ČKA holds a 67% stake in the share capital of the company. The ownership interest is expected to be sold during the second quarter of 2004. The company paid the ČKA receivables in accordance with the resolution on documented composition on 10 February 2003.

ČKD PRAHA HOLDING, a.s.

On 30 May 2003, ČKD PRAHA HOLDING, a.s. performed all its liabilities in relation to ČKA, resulting from the resolution on documented composition. As part of the composition process, ČKA capitalised a proportion of its receivables and acquired an ownership interest in the company, representing 47.47%. The Czech Government has already approved the sale of the ownership interest, which is expected to be carried out in the in the second quarter of 2004.

ŠKODA consortium

On 9 December 2002, the Czech Government Resolution no. 1253 was adopted on the proposed sale of all ČKA assets in the ŠKODA HOLDING group to a strategic investor. On 20 December 2002, relevant purchase contracts for the sale of the underlying assets were signed with Appian-Machinery AG. The sale was completed on 7 February 2003 upon consent by the Czech Republic Office for Protection of Competition and the settlement of the purchase price.

VÍTKOVICE, a. s.

In accordance with the Czech Government Resolution no. 198 of 24 February 2003 on finalising the financial restructuring and privatisation of VÍTKOVICE, a.s. a joint sale was realised of ČKA secured (separated) receivables from VÍTKOVICE, a.s. (approx. CZK 2.8 billion) that were not affected by the judicial settlement of VÍTKOVICE, a.s., and of the NPF ownership interest (including the ownership interest of PAL a.s.) representing 68% of the share capital of VÍTKOVICE, a.s. The sale was completed on 19 August 2003 when the purchaser LAHVÁRNA OSTRAVA a.s., selected in the public tender and approved by the Czech Government (Resolution no. 832 of 6 August 2003), signed the contractual documentation. The particular transfer of securities to the new acquirer (as well as the effect of the ČKA receivables cession) was tied to meeting the conditions on the part of the purchaser. The transfer of the shares and receivables took place on 19 September 2003.

NOVÁ HUŤ, a. s.

Pursuant to the Czech Government Resolution no. 587/02, ČKA receivables from NOVÁ HUŤ, a.s. were assigned to LNM Holdings N.V. as from 31 January 2003. At 10 March 2003, the Master Agreement on coverage of a contingent loss of KOB Praha, s.p.ú. arising from completion of transactions in finalising the privatisation of NOVÁ HUŤ, a.s. was terminated with the NPF. As part of the solution of NOVÁ HUŤ, a.s. (currently renamed for ISPAT NOVÁ HUŤ, a.s.), and with reference to the contracts concluded on 18 November 2003, ČKA paid the company's liability of CZK 1,127 million arising from the issued bonds. This action fulfilled ČKA's obligations under the Government resolution.

VÁLCOVNY PLECHU FRÝDEK-MÍSTEK, a.s.

The General Meeting of VÁLCOVNY PLECHU, a.s. approved a reduction of the share capital in order to settle the loss carried forward, and, a subsequent increase of the share capital by CZK 660 million ("capitalisation of receivables" of NH, a.s., ČKA and Konpo, s.r.o.) in accordance with the Government Resolution no. 654/01. On 26 February 2003, the Czech Republic Office for Protection of Competition issued its Decision ref.no. VP/S 10/3-160 on awarding an exception to provide public support to VÁLCOVNY PLECHU, a.s. At the end of April 2003, the first stage of restructuring the company was finalised by capitalisation of receivables of ISPAT NOVÁ HUŤ a.s., Konpo, s.r.o. and ČKA, by coming into effect of the Share Subscription Agreements as of 23 April 2003 and Offsetting Agreements as of 30 April 2003. A relevant increase of the share capital of the company was entered into the Commercial Register on 19 May 2003. The validity of the Standstill Agreement expired on 30 September 2003.

Český Mobil a.s.

In 2002, the receivable from Český Mobil, a.s. was assigned by ČSOB, a.s. to ČKA, arising from the Syndicated Loan Contract of 19 July 2000. The Syndicate Agent is J.P. Morgan Europe Limited (originally Chase Manhattan International Limited) as an agent on behalf of the finance providers and agent in charge of the reinsurance provision. The loan of approx. CZK 1.6 billion has been used under the B2 Tranche and matures in 2009. In accordance with the Contract, the interest on the syndicated loan is paid continuously, timely and duly. On 2 February 2004, based on exercising the put option of 6 October 2003 by ČKA, a relevant contract was signed on the sale and transfer of securities, subsequent payment was made and the transfer of 3.62% shares of Český Mobil a.s. from ČKA to TIW Czech N.V. The selling price was determined based on the arrangement in the option contract. ČKA acquired the stake through a transfer of shares from ČSOB, a.s., in accordance with and based on the Contract of the Restructuring Plan.

Podpůrný garanční rolnický a lesnický fond, a.s ("PGRLF, a.s.")

In its 70th Session, by Resolution no. 123/2003, ČKA prepared and approved a Draft Decision on the terms and conditions of individual assignments of selected receivables from clients who are linked to the support provided by PGRLF, a.s. to the direct interest: Podpůrný garanční rolnický a lesnický fond, a.s. (Supporting Farmer and Forester Guarantee Fund) In their letter of 17 June 2003, however, PGRLF, a.s. representatives notified ČKA that the PGRLF, a.s. Board of Directors was withdrawing their intent to purchase the selected receivables linked to the support provided by PGRLF, a.s. Supported by the Minister of Agriculture Ing. J. Palas, PGRLF, a.s. requested that ČKA transfer the receivables managed by ČKA to PGRLF, a.s.. In his letter of 7 November 2003, the Minister of Finance Mgr. Bohuslav Sobotka imposed ČKA to abstain from assigning any receivables from the agricultural, food and beverage group recorded by ČKA to third parties until the date a final decision is adopted on the transfer of the ČKA managed receivables to PGRLF, a.s.

Relating to the above facts, and in accordance with the resolution of the ČKA Supervisory Board of 11 December 2003, ČKA approached the Minister of Finance Mgr. Bohuslav Sobotka with a request to be notified about further procedures to be followed in relation to the clients of the ČKA financial group belonging to the agricultural, food and beverage group, and, most importantly, for specification of the price conditions in the event of assignment of the underlying receivables to PGRLF, a.s.

Health insurance companies

The Czech Government approved, by its Resolution no. 1184+P of 19 November 2003, the Project for Assigning to ČKA a Part of the Health Insurance Companies' Overdue Receivables from the Payers of the Public Health Insurance. Performance of the Resolution was commenced in December 2003.

Správa železniční dopravní cesty, státní organizace (SŽDC)

The Czech Government, by its Resolution no. 908 of 10 September 2003 On the Issues of Liabilities and Receivables of former České dráhy, st. organizace (Czech Railways, national organisation) and the Method of their Solution as at 31 December 2002, has consented to the assignment of receivables of the national organisation Správa železniční dopravní cesty (Railway Traffic Route Administration, i.e. the

former Czech Railways, national organisation) up to the maximum nominal amount of CZK 500 million, providing the following will be included:

- The maximum amount of receivables shall be up to CZK 500 million;
- Receivables shall be assigned based on separate assignment agreements and the assignment process shall be completed no later than 31 December 2003.
- Further conditions:
 - Nominal values of receivables shall be recognised identically to the values posted with the SŽDC national organisation in its books as at 31 August 2003, discounted for possible performances at the date of the receivable assignment;
 - Consideration for each separate receivable shall be set at 80% of its nominal value;
 - The scope of assignment shall include receivables from the debtors of the SŽDC national organisation that clearly support the origin and existence of respective receivables, i.e. that will be consistent with the requisites stipulated by Sect. 524 ff., Act no. 0/1964 Coll., Civic Code.
- Furthermore, by the above Resolution, the Government has agreed that an advance up to the maximum amount of CZK 2.2 billion be paid to the SŽDC national organisation for the purchase price for the sale of real properties as set out in Annex 2, Act no. 77/2002 Coll., On the České dráhy Joint-stock Company, SŽDC National Organisation and on Modifying the Act no. 266/1994 Coll., On Railways, as amended, and Act no. 77/1997 Coll., On National Company, as amended, in accordance with the Letter of Intent signed between ČKA, the Czech Republic represented by the Czech Ministry of Transport and, as an enjoined party, the SŽDC national organisation.
- The Government has also consented to an issue of bonds by the issuer SŽDC national organisation, with ČKA as the arranger, up to the maximum amount CZK 7 billion and maturing in five to ten years.

As at 31 December 2003, 1,918 receivables were presented to ČKA, out of which 1,615 were assumed at the total amount of CZK 329.6 million, and a nominal value CZK 319.7 million. The consideration at 80% of that nominal value represented CZK 255.7 million. The maximum expected amount of assigning receivables set at CZK 500 million was not reached, because 303 receivables could not be assigned to ČKA due to their irreparable mistakes of law. In the meaning of Art. II.(2) of the Czech Government Resolution no. 908, the Letter of Intent was signed on 7 October 2003, on concluding purchase contracts for the sale of real properties and on terms and conditions of providing an advance for the purchase price, as per the provisions of Sect. 269, Act no. 513/1991 Coll., Commercial Code, as amended. ČKA, as the lead arranger, successfully placed the SŽDC national organisation bonds on the primary market, at the volume of CZK 7 billion and maturing in seven years, that were issued on 3 March 2004 at the issue price 99.988% of their nominal value and with the fixed coupon at rate of 4.60% p.a. The issue of the bonds enabled the SŽDC national organisation to settle its remaining creditors and satisfy the goal of the relevant Government resolution in that way.

10. Issues of high turnover inventories ("HTI")

By the Government Resolution no. 59+P, of 13 January 2003, a systemic solution was adopted for the solution of receivables arising from loans extended for high turnover inventories ("HTI"), which amounted to more than CZK 380 million at 30 September 2001.

In October 2003, the Czech Ministry of Finance, in co-operation with ČKA, prepared a document for the Czech Government session "On Procedure in Systemic Solution of Receivables Arising from the Loans for High Turnover Inventories (HTI), the Amount of which Exceeded CZK 380 million at 30 September 2001", which basically consisted of a proposed amelioration of harshness of the Government Resolution no. 59+P of 13 January 2003. The Czech Ministry of Finance notified ČKA by a letter dated 30 December 2003 that the above document was not passed on 17 December 2003. As such, the temporarily suspended assignment of receivables arising from HTI was lifted.

The eligibility criteria applicable to clients who qualified for inclusion under the Government Resolution no. 59+P were satisfied by 366 ČKA debtors in total and 141 ČKA debtors made use of the Government Resolution. It follows that 225 debtors failed to make use of an option to apply for a waiver of their debt. The aggregate paid-up sum amounted to CZK 367.7 million. The total amount of CZK 292.1 million was waived. The effect in the ČKA's net profit(loss) for the period amounted to CZK 109.4 million. The document containing an evaluation of the Government Resolution no. 59+P was considered in the meeting with the Minister of Finance on 20 April 2004. ČKA fulfilled the relevant Government resolution.

11. Restructuring under EXIT/Rozvaha Programme

Based on the Government Resolution no. 1000 of 3 October 2001, the Czech Government Board - Investment Board was established to deal with issues of restructuring industrial enterprises, as well as the structures of the ROZVAHA and EXIT Programmes as part of the National Economy Growth Strengthening Strategy. The Czech Government Board - Investment Board is a standing advisory body of the Government in maintaining of state assets in ČKA. Details of the Czech Government Board - Investment Board activities are set out in the Statutes of the Czech Government Board - Investment Board.

Restructuring under EXIT/Rozvaha Programme

METRA BLANSKO a.s.

NOVESTA a.s.

PERLA, bavlnářské závody, a.s.

PSJ Holding a.s.

PRAGA HOSTIVAŘ, a.s.

Elite Varnsdorf, a.s.

Obráběcí stroje Olomouc, spol. s r.o.

BSK Přestanov, a.s.

ETA a.s.

Tusculum, a.s.

CETOS, a.s.

ROTAS STROJÍRNÝ, s.r.o.

MORA MORAVIA, a.s.

KRÁLOVOPOLSKÁ, a.s.

METRA BLANSKO a.s.

METRA BLANSKO a.s. was unable to perform a full-scope restructuring on its own and without any external capital. Therefore, ČKA announced a public multi-criterion tender for the period from 22 April 2003 to 20 May 2003. The invitation taken up by a sole bidder that presented his business plan and accepted the consideration amount.

By its Resolution no. 897 of 10 September 2003, the Government gave its consent to the presented bid, subject to an affirmative opinion by the Czech Republic Office for Protection of Competition. On 4 December 2003, the Office issued its opinion stating that the case does not represent any public interest. The contract for the assignment of ČKA's receivables from METRA BLANSKO a.s. was signed on 18 December 2003. The assignment contract stipulates a two-year conclusive period as of the effective date of the contract (2004 and 2005), during which the assignee shall submit supporting documents, while ČKA shall control the progress of the restructuring process of assigned receivables.

NOVESTA a.s.

By the Czech Government Resolution no. 194 of 24 February 2003, NOVESTA a.s. was included in the EXIT 2 Programme, which means a direct sale of ČKA's receivables to a strategic investor. A public multi-criterion tender was announced for the period from 29 April 2003 to 27 May 2003. The invitation was taken up by a sole bidder who made a price proposal. The bid for the purchase of the receivables also included a business plan for the interest. The Directors of ČKA subsequently submitted a proposal for the tender evaluation.

Accordingly, the ČKA Board of Directors adopted Decision no. 606/03 in its session on 7 July 2003, by which it approved assignment of the receivables to the tender winner for the agreed consideration. In the contract of assignment of receivables, the assignee undertook that he shall comply with the terms and conditions of the public multi-criterion tender throughout the conclusive period of two years from the date of effect of the contract (2004 and 2005). A title to a contractual penalty has been arranged by ČKA in the case the assignee fails to comply.

PERLA, bavlnářské závody, a.s.

By the Czech Government Resolution no. 194 of 24 February 2003, PERLA, bavlnářské závody, a.s., was included in the EXIT 2 Programme, which means a direct sale of the ČKA receivables to a strategic investor.

By Decision no. 607/03 of 7 July 2003, the ČKA Directors approved, assignment of receivables for consideration. These include the receivables assigned to ČKA by ČSOB, a.s. and ČS, a.s.

The terms and conditions set down in the Contract of Assignment of ČKA Receivables signed between ČKA and the assignee on 26 August 2003 also include fulfilment of the mandatory business plan.

PSJ Holding, a.s.

By its Resolution no. 680 of 9 July 2003, the Czech Government agreed with the restructuring of PSJ holding, a.s. and its inclusion in the EXIT 2 Programme. A contract on the assignment of the receivable

was signed with the winning bidder of the public multi-criterion tender on 31 October 2003, and came into effect as of 26 November 2003 based on payment of the agreed consideration.

PRAGA Hostivař, a.s.

Based on the Czech Government Resolution no. 521 of 22 May 2002, PRAGA Hostivař, a.s. was included in the EXIT 2 Programme, i.e. the sale of receivables to the strategic investor who has undertaken to ensure, at his own expense, both the course and completion of the business restructuring. By his letter of 4 September 2002, the Minister of Finance approved the sale of the receivable. The debtor's liability was assigned to a new owner based on the Contract of Assignment of Receivables of 17 January 2003.

Elite Varnsdorf a.s.

Although based on the Government Resolution no. 969 of 7 October 2002, the efforts to solve the receivable from the client Elite Varnsdorf a.s. were not successful. No interest turned up. The issue will continue to be addressed using standard methods.

Obráběcí stroje Olomouc, spol. s r.o.

By the Czech Government Resolution no. 969 of 7 October 2002, Obráběcí stroje Olomouc, spol. s r.o. was included in the EXIT 2 Restructuring Programme.

A public multi-criterion tender for the assignment of ČKA's receivables was organised over the period from 31 March 2003 to 30 April 2003. No strategic investor nor any other interest took up the tender. The Czech Government Board - Investment Board was notified of the public multi-criterion tender results. The Investment Board acknowledged the ČKA information on discharge of the Government Resolution no. 969 on 18 June 2003. Due to an unsuccessful tender of April 2003 and in accordance with the Czech Government Resolution no. 969 of 7 October 2002, the ČKA Directors approved an announcement of a repeated public multi-criterion tender for the assignment of receivables from Obráběcí stroje Olomouc, spol. s r.o. on 20 April 2004 to stand open from 23 April 2004 to 21 May 2004.

BSK Přestanov, a.s.

The Czech Government Resolution no. 194 of 24 February 2003 extended the list of selected companies included in the EXIT and ROZVAHA Restructuring Programmes.

On 2 May 2003, a public tender was announced as part of the discharge of the Resolution for the sale of ČKA receivables from BSK Přestanov, a.s. ČKA's receivables from BSK Přestanov, a.s. were assigned to OSPREY, a.s. on 7 July 2003.

ETA a.s.

The Czech Government Resolution no. 194 of 24 February 2003 extended the list of selected companies included in the EXIT and ROZVAHA Restructuring Programmes.

On 2 May 2003, a public tender was announced as part of the discharge of the Resolution for the sale of ČKA receivables from ETA a.s. ČKA's receivables from ETA a.s. were assigned to PLASTKOV, spol. s r.o. on 14 July 2003.

TUSCULUM , a.s.

Based on the Czech Government Resolution no. 60 of 13 January 2003 that approved JITONA, a.s. as the winning bidder in the public tender for assignment of ČKA's receivables from Tusculum, a.s. ČKA and JITONA, a.s. concluded the Contract of Assignment of Receivables from Tusculum, a.s. on 15 April 2003.

CETOS, a.s.

In accordance with the Czech Government Resolution no. 578 + P of 5 June 2002, CETOS, a.s. was included in the EXIT 2 Programme. ČKA's receivables from CETOS, a.s. were assigned to the acquirer Česká Typografie, a.s. in April 2004.

ROTAS STROJÍRNY, s.r.o.

In accordance with the Czech Government Resolution no. 1034 of 20 October 2003, ROTAS STROJÍRNY, s.r.o. was included in the EXIT 2 Programme. ČKA's receivables from ROTAS STROJÍRNY, s.r.o. were offered in a public tender for the assignment of receivables organised from 17 December 2003 to 30 January 2004. The public multi-criterion tender evaluation was discussed by the Board of Directors in its meeting on 27 April 2004.

MORA MORAVIA a.s.

The Czech Government Resolution no. 578 of 5 June 2002 included MORA MORAVIA, a.s. in the ROZVAHA Programme and the Czech Government Resolution no. 284 of 19 March 2003 permitted the assignment of ČKA's receivables from MORA MORAVIA, a.s. to a strategic investor. As at 29 April 2003, ČKA, having obtained an affirmative opinion by the Czech Republic Office for Protection of Competition, assigned its receivables acquired from ČSOB, a.s. to MAGNUM Production, a.s. MAGNUM Production, a.s. provided regular quarterly information to ČKA in the form of a report on performance of terms and conditions as set down by the Contract of Assignment of Receivables of 25 April 2003. The terms and conditions were based on the principles of the public tender through which ČKA assigned its receivables.

KRÁLOVOPOLSKÁ, a.s.

The process of settlement was finished on 21 February 2003. The receivable was capitalised by ČKA.

12. Business outlook of ČKA

In accordance with the relevant Government decisions, ČKA is a specialised consolidating institution providing, without limitation, for the sale, purchase and management of low-quality loans receivable and of other assets assumed for consideration from commercial entities of the Czech banking sector and other institutions.

In 2004, the key activity will continue to be the individual sale, discharged through public tenders, of ČKA's receivables. In addition, the ongoing dunning processes will be continued including the realisations of charged assets or the restructuring of receivables.

It is expected, based on consent by the Czech Government, that the existing scope of the portfolio of ownership interests and of securities available for sale will be reduced. ČKA is planning to sell ownership interests of which the most important ones include ČKD Praha Holding, a.s., ARTA REAL, k.s. and CZ CREDIT REAL, k.s. With regard to trading securities, the sales of securities of TRINECKÉ ŽELEZÁRNY, a.s., ČSOB fond stability and Český Mobil a.s. have been projected. In the case of Český Mobil a.s., ČKA exercised a put option title to the Český Mobil a.s. shares on 3 October 2003 against the majority shareholder of the parent company of Český Mobil a.s. The transaction was realised on 2 February 2004 and paid up subsequently.

The above plans, together with the projected volume of loan instalments and a partial payment of the receivable from the Czech Ministry of Finance, will ensure reduction of ČKA assets by approx. CZK 47 billion. The projected reduction of the total assets and liabilities is in accordance with the longer-term goal of the maximum settlement of managed assets by 2007.

A contingent loss on the realisation of the activities projected for 2004 will be covered for a larger period from ČKA's Reserve Fund after approval of the financial statements for the year ended 31 December 2004. Referring to the relevant provisions of the Act no. 239/2001 Coll., on ČKA, any of ČKA's remaining liabilities and repayment of other losses are the responsibility of the Czech Republic or NPF, in accordance with the agreements concluded on coverage of ČKA's losses due to the realisation of selected transactions.

13. Key risk factors in financial management

ČKA, as an institution specialised in the management of low quality, and mostly loss making, bank assets assigned to its management in accordance with the relevant Government decisions, is exposed to a certain amount of risk of continued impairment of the assets, despite employing a variety of usual securitisation vehicles. The key source of the contingent loss risk is the adverse financial position of debtors, as well as their payment discipline, the level of which has significantly impacted ČKA's losses, specifically with regards to loan assets.

Using criteria such as days overdue of receivables, available information on the financial position of debtors, or the stage of their financial restructuring, ČKA has classified receivables into separate categories that express a regulatory-determined probability of contingent losses incurred on the asset's settlement. ČKA has made additions to provision for these losses and, through them have discounted measurements of classified loan assets to their fair value, reflected in ČKA's costs. Thus, ČKA's **risk of asset remeasurement** has further augmented the impact of certain mechanisms on the progressing stabilisation of the Czech business environment, such as **bankruptcies or liquidations**. The risk of loss on

loans arising from the settlement of receivables from clients in bankruptcy has increased, as have losses from the suspended charging of interest on such receivables, by partial impairment of their securitisation, as well as by prolonged periods of bankruptcy proceedings that result in additional operating costs for ČKA, expensed for the management of the receivables. Notwithstanding all efforts made and measures adopted to rehabilitate the financial position of debtors, it will be impossible to exclude, even in the future, the continued transfers of ČKA's receivables to lower classification strata, e.g. due to an increased number of days beyond the determined date of their final maturity, as well as due to adjudicated bankruptcy involving adverse financial impacts of additions to provisions or costs of receivable write-offs.

A similar risk of contingent loss is involved in **holding securities of loss-making companies**, with regard to which ČKA primarily represents the Czech state interests. Such companies in which ČKA holds an ownership interest yield a zero dividend return and losses are incurred on their financial performance. This may adversely impact ČKA's financial results until the receivables are transferred out of the ČKA balance sheet.

Since ČKA provides no loans, its financial results may be more markedly affected by potential **transfers of low-quality assets or their sale** in accordance with decisions by the Czech Government and by **transfers of a residual portfolio or negative liquidation balances of subsidiary companies**.

Coverage of all of the above contingent losses of ČKA has been sufficiently provided. ČKA has many resources available to it including significant amounts of the Reserve Fund and equity, an ensured system of ongoing re-capitalisation while it meets the capital adequacy requirements with sufficient ease, and a state guarantee over all of its liabilities as provided by the relevant act founding ČKA. Resultant to that, both the permanent liquidity of ČKA and the receivables of its creditors cannot be threatened by any of the above contingent risks.

INFORMATION ON SECURITIES

1. ČKA securities issues

Bonds

ČKA established a short-term bond issue programme in the beginning of 2003, approved by the decision of the Czech Securities Commission ("CSC") on 5 February 2003. The total cost of the programme is CZK 20 billion (i.e. the aggregate nominal value of all issued unredeemed bonds at the moment), the programme will be in effect until 31 December 2011, and each issue matures in one year, at the maximum, although no later than by 31 December 2011.

In June 2003, ČKA released the first issue of short-term bonds under the programme at the amount of CZK 5 billion and with a maturity of three months. The issue was redeemed on 22 September 2003.

On 22 September 2003, ČKA released the second issue of short-term bonds under the programme at the amount of CZK 5 billion and with maturity of 13 weeks. The issue was redeemed on 22 December 2003.

On 22 December 2003, ČKA released the third issue of short-term bonds under the programme at the amount of CZK 5 billion and with a maturity of 13 weeks from the issue date. The issue was placed among investors in the Dutch auction organised by ČKA through the Short-term Bond System. The yield on the issue is 2.06% p.a., which is one point below the relevant interest rate, i.e. 3M PRIBOR. The issue will be redeemed on 22 March 2004.

In November 2003, under the first issue programme of medium- and long-term bonds, ČKA released a fixed-interest rate issue of bonds with the coupon at 4.00% p.a., maturing in seven years, at the amount of CZK 5 billion, whose lead manager was Deutsche Bank AG, Prague.

The resources generated from the bond issues are used to finance ČKA's general needs.

In December 2003, the CSC decision approving the second issue programme of medium- and long-term bonds of CZK 20 billion came into legal force. This is the highest amount of unredeemed bonds issued under the programme. The programme duration is eight years and the maturity of any issue under the programme is fifteen years at a maximum.

Promissory notes

ČKA issued promissory notes of various maturities for some of its subsidiaries, receivers and banks. The aggregate balance of draft sums held-to-maturity amounted to approx. CZK 6.075 billion at 31 December 2003.

Issued bonds

I. Single bond issues

KOB Praha, s.p.ú., as a legal predecessor of ČKA, issued three issues of bonds in the total nominal value of CZK 14 billion since 1996. The two issues listed below had not matured as at 30 September 2003. None of these bond issues entitles bondholders to exercise the right of bond exchange for participation securities.

Issue ISIN CZ0003700445

Type:	bond
Form:	bearer
Format:	book-entered
Issue value:	CZK 7,000,000,000
Nominal value:	CZK 10,000
Coupon:	fixed in the amount of 10.875 % p.a.
Issue date:	15 April 1997
Maturity date:	15 April 2004
ISIN:	CZ0003700445
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 44a of the Act on Banks

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 May 1997.

Issue ISIN CZ0003700478

Type:	bond
Form:	bearer
Format:	book-entered
Issue value:	CZK 5,000,000,000
Nominal value:	CZK 10,000
Coupon:	floating in the amount (6M PRIBOR + 0.125% p.a.) payable on a half-yearly basis on 17 September and 17 March every year
Issue date:	17 March 1998
Maturity date:	17 March 2005
ISIN:	CZ0003700478
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 44a of the Act on Banks

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.

II. Middle and long term bond issue program

Issue ISIN CZ0003700627

Type:	bond
Form:	bearer
Format:	book-entered
Issue value:	CZK 5,000,000,000
Nominal value:	CZK 10,000
Coupon:	fixed in the amount of 5.05%, payable once a year on 10 June
Issue date:	10 June 2002
Maturity date:	10 June 2007
ISIN:	CZ0003700627
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 1 article 3 of the Act on ČKA.

No pre-emption or exchange rights are attached to the bond.

The amendment of the issue terms and the Prospectus of the bond program have been approved based on a decision of the Securities Commission Ref. No. 45/N/14/2001/2 of 17 May 2002.

Issue ISIN CZ0003700635

Type:	bond
Form:	bearer
Format:	book-entered
Issue value:	CZK 10,000,000,000
Nominal value:	CZK 10,000
Coupon:	floating in the amount of (6M PRIBOR + 0.09% p.a.) payable on a half-yearly basis, on 28 December and on 28 June every year
Issue date:	28 June 2002
Maturity date:	28 June 2005
ISIN:	CZ0003700635
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 1 article 3 of the Act on ČKA.

No pre-emption or exchange rights are attached to the bond.

The amendment of the issue terms and the Prospectus of the bond program has been approved based on decision of Securities Commission Ref. No. 45/N/14/2001/5 from 24 June 2002.

Issue ISIN CZ0003700692

Type:	bond
Form:	bearer
Format:	book-entered
Issue value:	CZK 5,000,000,000
Nominal value:	CZK 100,000
Coupon:	fixed in the amount 4.00% p.a., payable once a year on 5 November
Issue date:	5 November 2003
Maturity date:	5 November 2010
ISIN:	CZ0003700692
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 1 article 3 of the Act on ČKA.

No pre-emption or exchange rights are attached to the bond.

The amendment of the issue terms and the Prospectus of the bond program has been approved based on a decision of the Securities Commission Ref. No. 45/N/918/2003/2 from 7 October 2003.

III. Short term bond issue program

ČKA issued two issues of bonds in 2003 within the short-term bond issue program. One issue listed below had not matured as at 31 December 2003:

Issue - Code: 52203003

Title of security:	P ČKA 13 T 5 billion 22/12
Agent:	ČKA
Form:	bearer
Format:	security book-entered in CNB Registration centre
Date of auction:	19 December 2003
Issue date:	22 December 2003
Maturity date:	13 weeks from the issue date, on 22 March 2004
Number of tranches:	1
Nominal value:	CZK 1,000,000
Issue value:	CZK 5,000,000,000
Volume of auction:	CZK 5,000,000,000
Transaction processing:	Holland auction sale by Rules of SKD
Revenue from auction:	2.06%
Guarantee:	Bonds are secured by the guarantee of the Czech Republic as defined in Section 1 article 3 of the Act on ČKA.

No pre-emption or exchange rights are attached to the bond.

The amendment of the issue terms and the Prospectus of the bond program have been approved based on a decision of the Securities Commission Ref. No. 45/N/878/2003/1, of 1 September 2003.

2. Important trades of securities and shares in 2003

Sales

- Sale of shares ŠKODA HOLDING a.s. in the nominal value of CZK 1.05 billion, representing 48.40% of the share capital and the sale of shares ŠKODA TS, a.s. in the nominal value of CZK 118 million, representing 63.44% of the share capital of the company Appian-Machinery AG (February 2003).
- Sale of the shares Západočeská energetika, a.s. in the nominal value of CZK 31.8 million, representing 1.98% of the share capital of ČEZ, a. s. (April 2003).
- Sale of shares Agrobanka Praha, a. s. in liquidation, in the nominal value of CZK 175.8 million, representing 4.29% of the share capital of ČNB (May 2003).
- Sale of shares PVT, a.s. in the nominal value of CZK 290.2 million, representing 37.01% of the share capital of J&T SECURITIES (CZECH REPUBLIC), a.s.
- Sale of shares IPB Real, a.s. in the nominal value of CZK 1 billion, representing 100.00% of the share capital of Americká 33, a.s. (December 2003).

Acquisition

- Acquisition of a share of the capital in the limited partnership companies ARTA REAL, k. s. in the nominal value of CZK 1.4 billion, representing 48.28% of the share capital of the company; CZ CREDIT REAL, in the nominal value of CZK 0.9 billion, representing 31.03% of share capital of the company and GALILEO REAL, k. s. in the nominal value of CZK 0.9 billion, representing 31.03% of the share capital of the company in accordance with the Contract of transfer of share of limited partner from ČSOB, a.s. (March 2003).
- Acquisition of promissory notes Sortos Holding, B.V. and Cabrice Holdings, B.V. (each of them for CZK 2 billion) from ČSOB, a.s. in accordance with the Contract of transfer of the "Promissory Note" and the transfer of rights (March 2003).
- Transfer of shares TRUSTFIN akciová společnost in the nominal value of CZK 251 million representing 100% of the share capital of the company, in compliance with the contract with Tarpa Securities B.V. as a vendor (July 2003).
- Acquisition of off-shore structures from ČSOB, a.s. based on a Redemption contract of 31 July 2003 (August 2003 till December 2003).

Issuer	Total nominal value (in CZK)	Capital share (in %)
1. IN - Fond bohatství, OPF PIAS, a.s.	786,220,000	X
1. IN - PIF, OPF PIAS, a.s.	2,792,476,800	X
1. IN - Rentiérský fond, OPF PIAS, a.s.	902,203,000	X
1. IN - Restituční fond, OPF PIAS, a.s.	2,309,123,250	X
1. IN - Křišťálový fond, OPF PIAS, a.s.	153,882,000	X
ADEX, a.s.	351,709,000	91.28
AERO Vodochody a.s.	309,936	0.01
Armaturka Česká Třebová, a.s. v likvidaci	30,256,000	9.77
Autoklub Bohemia Assistance, a.s.	80,800,000	67.33
BH CAPITAL, a.s.	733,408,200	71.89
BRNO INN, a.s.	62,000,000	25.83
CONSUS INVESTIČNÍ FOND a.s.	71,183,000	13.61
CRF Praha a.s. v likvidaci	474,008,472	100.00
ČEZ, a. s.	23,100,000	0.04
E L I T E X, akciová společnost	6,630,000	10.11
CHEMAPOL GROUP, a.s.	368,583,000	14.71
IKS Globální OPF IKS KB, a.s.	223,835,620	X
IKS Globální OPF IKS KB, a.s.	712,815,160	X
IKS Plus bondový OPF IKS KB, a.s.	250,673,970	X
IMOB a.s.	25,000,000	11.36
INTEGRA, a.s.	171,230,000	20.41
Investiční fond obchodu, cestovního ruchu a služeb, a.s.	200,843,000	33.73
IPB REAL INVESTMENT, a.s.	50,000,000	100.00
Jihočeské lesy České Budějovice, a.s.	254,668,000	36.36
Jihočeské papírny, a.s., Větrní	950,393,000	38.89
Křišťálový investiční fond, a.s.	304,065,000	39.20
Lesní společnost Hradec Králové, a.s.	143,495,000	21.13
Letov, a.s.	314,114,000	17.46
Mostárna Hustopeče, a.s.	12,188,000	4.15
MUZO, a.s.	21,279,000	20.86
ISPAT NOVÁ HUŤ a.s.	52,100,000	0.42
První východní a.s.	5,000,000	100.00
Přerovské strojírný a.s.	204,234,000	11.81
Svit, a.s. Zlín	414,238,000	17.15
ŠKODA, a.s.	630,599,000	6.65
TCHCOMALT GROUP, a.s.	399,700,000	99.93
Výzkumný a zkušební letecký ústav, a.s.	120,867,000	16.09
Výzkumný ústav pivovarský a sladařský, a.s.	22,740,000	32.93
ZSE PRAHA, a.s. - Holding	5,000,000	1.18

- Transfer of the business share in PČRB, s.r.o. - Moskva in the amount of 0.15% of share capital of První investiční akciová společnost, a.s. (December 2003).

- Acquisition of the promissory note PČRB, s.r.o. - Moskva (bill in the amount of USD 13.7 million) based on the Novation agreement between ČKA and PČRB, s.r.o. - Moskva of 22 December 2003.
- Transfer of shares of ZVI a.s. in the nominal value of CZK 228 million, representing 100 % of the share capital from TRUSTFIN akciová společnost (December 2003).

CZECH ECONOMY IN 2003

The Czech economy was influenced by the gradual recovery and growth of the economies of the US and EU countries. The inflation rate was kept very low while unemployment was increasing. Interest rates reached a record low. The Czech crown exchange rate against the euro was comparatively stable and appreciated against the US dollar.

1. GDP

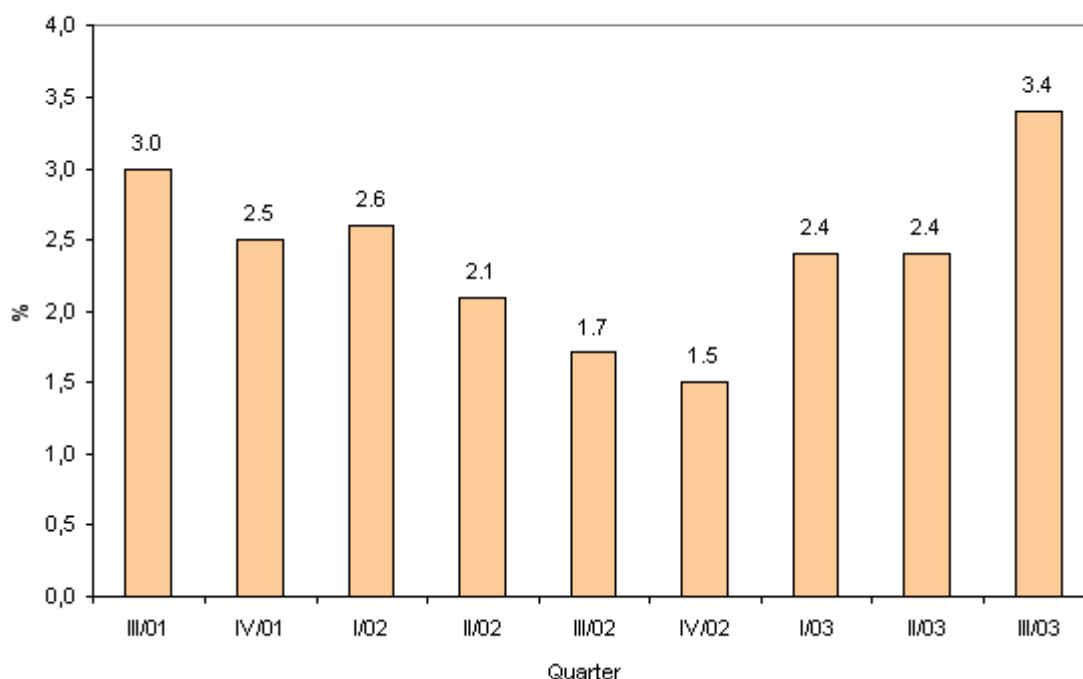
According to interim estimates, the gross domestic product (at fixed purchase prices) grew by 2.9% year-on-year in real terms. The GDP increased by CZK 134.5 billion (+ 5.9%) to CZK 2,410.1 billion, while the aggregate price level expressed by an implicit deflator grew by 2.9%.

On the other side of the economy, the gross value added (GVA) at fixed basic prices (in order to exclude the effect of subsidies and indirect taxes) grew by 2.6% in real terms. The growth was favourably influenced by the year-on-year development, primarily in the following industries: transportation, warehousing and communications (+ 5.6%), trade and motor vehicle repairs (+ 2.9%) and manufacturing (+ 2.9%). Agriculture, on the other hand, experienced a drop (- 4.1%).

The following industries in particular shared in the generated GVA of CZK 2,170.8 billion at the current basic price: market and non-market services (29.7% out of the total GVA), the manufacturing industry (27.2%), trade and motor vehicle repairs (14.6%), transportation, warehousing and communications (9.5%) and construction (7.0%).

The GDP growth, as recorded within development to date, was faster than that of the 15 Members of the EU. The increase in the positive growth differential resulted in a reduction of the gap between performance of the Czech Republic and that of the EU Members. The international financial position improved as well.

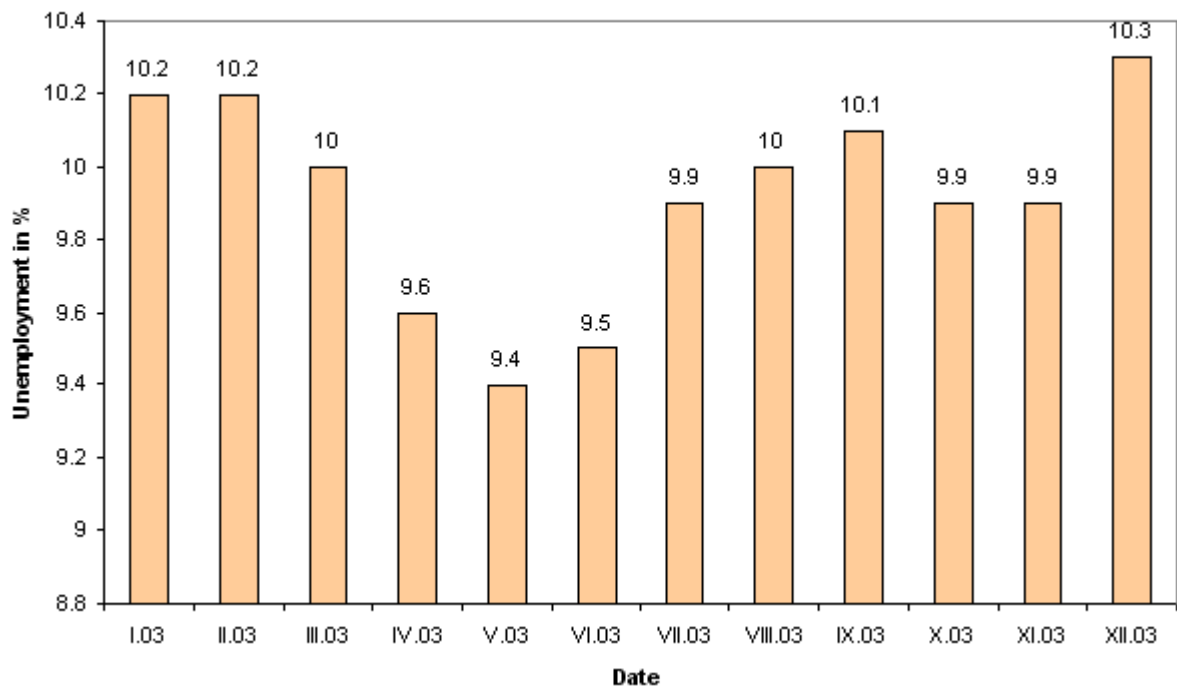
Development of GDP (fixed prices year 1995)



2. Unemployment

The unemployment rate amounted to 10.3% at 2003 year-end, i.e. a 0.5% increase compared with the year-end of 2002. Labour offices recorded 542,420 job seekers at the year-end. As in the preceding periods, the highest unemployment rates were recorded in north Bohemia and north Moravia (Most 23.5%, Karviná 20.4%). The lowest unemployment rate was recorded in Prague and the neighbouring counties of Prague-East and Prague-West.

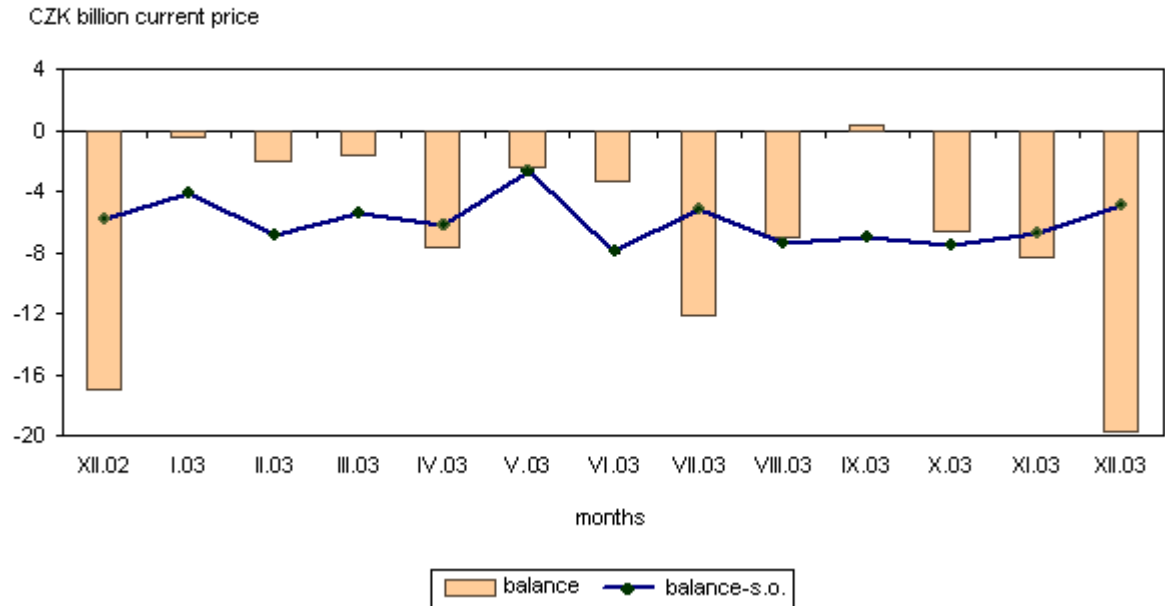
Unemployment rate in Czech Republic in 2003



3. Foreign trade and balance of payments

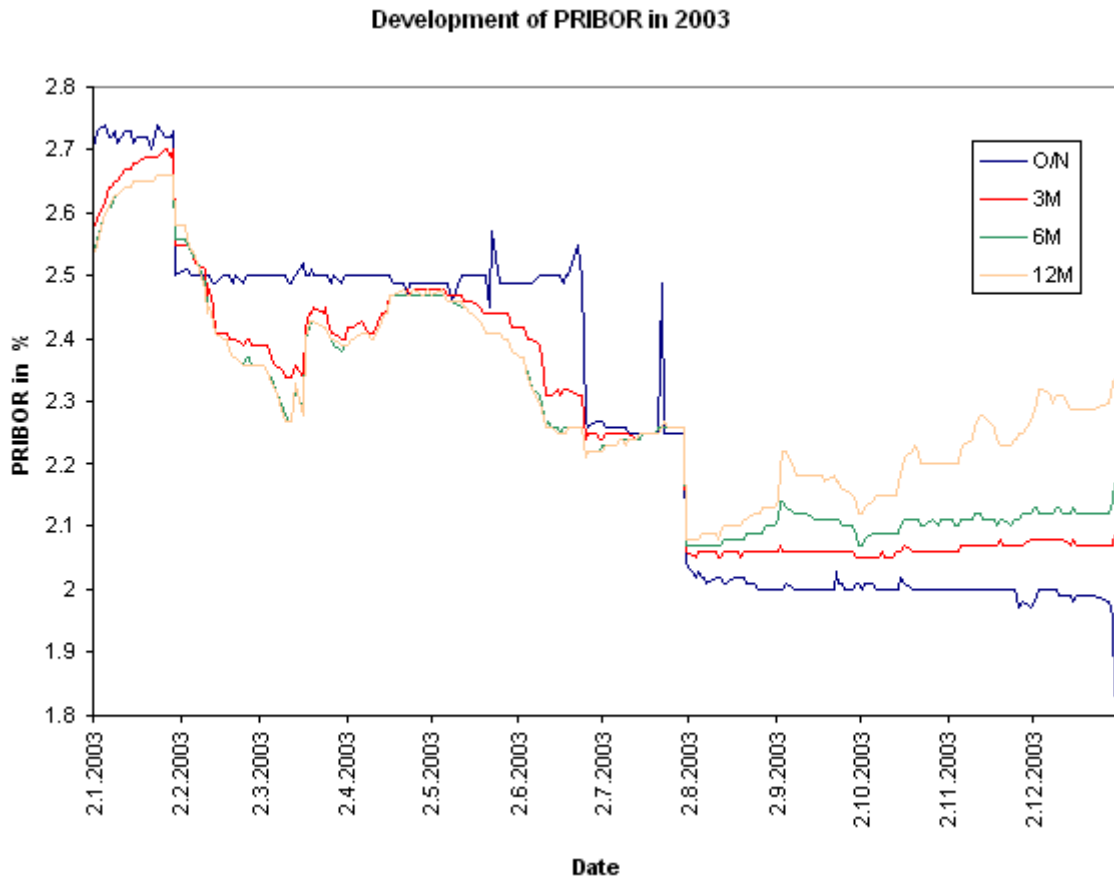
Exports at current prices grew by 9.3% to CZK 1,371.4 billion year-on-year during 2003, while imports grew by 8.8% to CZK 1,442.6 billion. The aggregate liabilities of the payments balance were CZK 71.2 billion, i.e. less by CZK 0.1 billion compared to 2002.

Development of balance of trade in the year 2003



4. Interest rates

In 2003, the development of interest rates was influenced specifically by the development of interest rates in the EU Member states and in the US. CNB discounted interest rates three times in total, by 25 bp each time. On the whole, the two-week repo rate dropped from 2.75% to 2.00%, discount rates from 1.75% to 1.00% and loan rates from 3.75% to 3.00%. The PRIBOR rates accommodated the development of the CNB rates, however the rates, particularly those of longer maturities, began to grow after the last discount of the CNB rates.



5. Prices and inflation

The average year-on-year inflation rate of 0.1% in 2003 was impacted in particular by a drop in prices in the food products and non-alcoholic beverages business segment which, despite their accelerated growth at the year-end, recorded an average level lower by 2.2% throughout 2003. A year-on-year fall in prices continued in the segments of apparel, footwear, and household furnishings. The growth of the consumer price levels was mainly due to increased prices of housing. The inflation rate, translated into the consumer price index increment at December 2003 compared to December 2002, reached 1.0%.

6. Public budgets

In recent years, deficits in public budgets have continued in spite of comparatively dynamic economic growth. The level of fiscal deficits has grown in spite of using one shot incomes. As a result, the growth of government debt is accelerated. In addition to direct expenditures relating to the transformation, public budgets bear costs relating to approximating the infrastructure level and environmental standards of the EU and costs relating to the harmonisation of policies, as well as the legal and institutional framework, of the EU. The Conception of the Public Budget Reform, adopted by the Government Resolution no. 624 of 23 June 2003, has been implemented as a set of measures at both the receipt and expenditure sides of public budgets, with emphasis on the side of expenditures. As a fiscal goal for 2006, the Government aims for the government sector's deficit share of the GDP to be 4% with a falling trajectory of the deficit. The estimated deficit of public budgets, adjusted by net loans (i.e. specifically by the receipts from privatisation and other transactions of a financial nature), according to the Czech Ministry of Finance estimates, will amount to CZK 140.4 billion, i.e. 5.8% of GDP, in 2003.

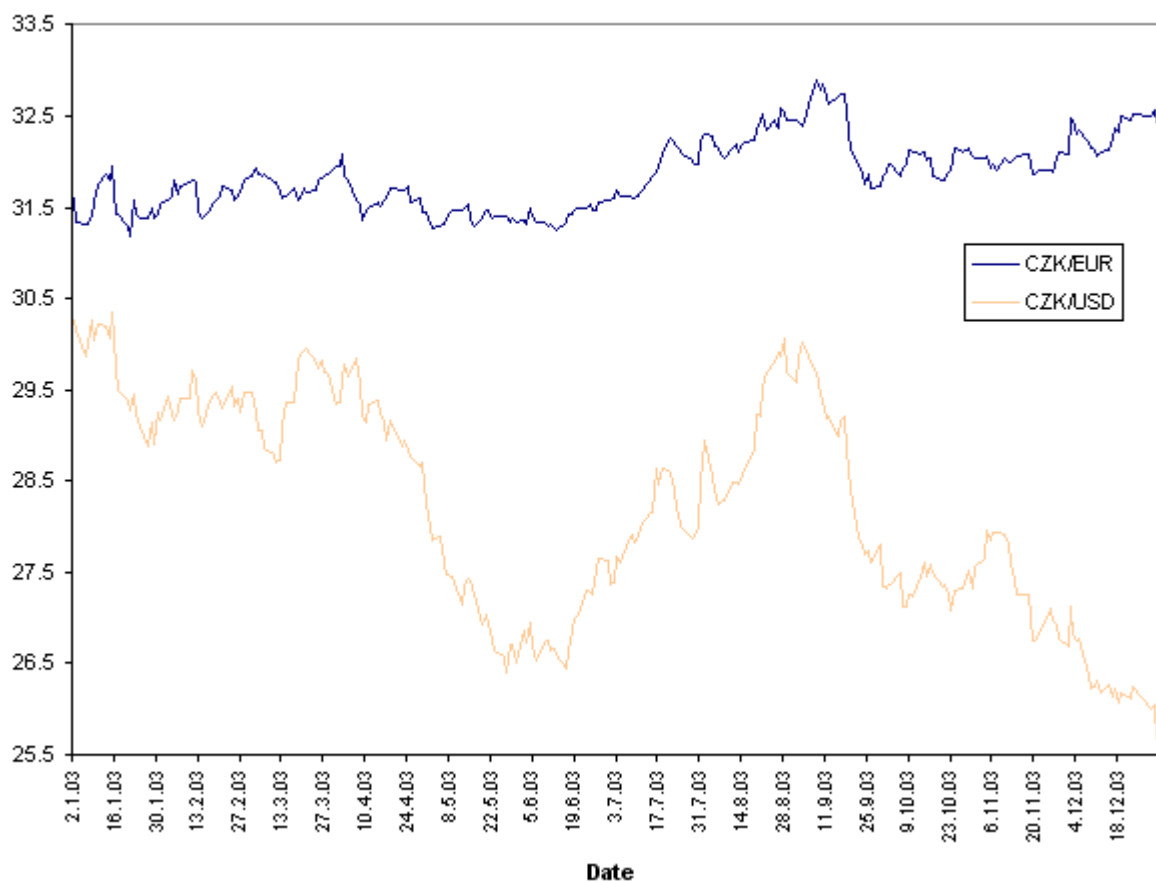
7. State budget

The results of the state budget for 2003 show that, in terms of the overall deficit amounting to CZK 109.1 billion (receipts totalling CZK 699.6 billion, expenditures totalling CZK 808.7 billion), the Government did not exceed the deficit limit of CZK 111.3 billion originally stipulated by the State Budget Act. The collection of taxes, the VAT and excise tax in particular, specifically contributed on the side of receipts. Total receipts stipulated by the State Budget Act were exceeded by CZK 15.6 billion. Economics on the side of expenditures (compared to the adjusted budget of CZK 9.1 billion) helped the Government succeed in keeping the state budget within the originally determined limits in spite of major increases in the approved budget by extraordinary expenditures totalling CZK 23 billion (e.g. the CME dispute totalled almost CZK 11 billion; the impacts of the 2002 floods covered by the EIB loans totalled CZK 6.3 billion; infrastructural investments covered by the EIB loans totalled CZK 2.8 billion; an increased subsidy to the National Agricultural Intervention Fund totalled CZK 2.0 billion).

8. Exchange rate

The exchange rate between the Czech crown and the Euro maintained comparative stability in 2003, though it showed slight depreciation. The reasons for the stable CZK/EUR exchange rate included the expected accession of the Czech Republic to the European Union and the CNB currency policy, which basically copied the ECB steps. The development of the CZK/USD exchange rate was determined to a large extent by the development of the EUR/USD rate. The dollar experienced considerable fluctuation and depreciated notably throughout the year, relating primarily to the development of the situation in the Near East as well as to the interest differential between the EUR and USD. The unprecedented negative balance of US external trade was compensated by this fall.

Development of exchange rate of CZK to EUR and USD in 2003



9. Capital market

The stock market development mainly reflected the interest of foreign investors who are key to trading on the Prague Stock Exchange (PSE). The PX-50 index grew year-on-year from 460.7 points at 31 December 2002 to 659.1 points at 31 December 2003. 39 stocks and 46 bonds were traded on both the primary and secondary markets of the PSE. The bond market developments responded in particular to the currency decisions of the CNB and to the interbank market developments in 2003.

10. Privatisation in Czech economy

In 2003, the Czech National Property Fund (NPF) sold ownership interests and shares totalling CZK 22.891 billion. The key transactions include the sale of shares of Nová hut', a.s. for CZK 0.175 billion; shares of Transgas a.s. for CZK 1.3 billion and shares of Vítkovice a.s. for CZK 0.8 billion. In April 2003, NPF transferred shareholdings in eight electricity distribution companies to the ČEZ company for a total price of CZK 39.1 billion.

FINANCIAL INFORMATION

1 Information on the registered capital

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

Date	Capital Amount (CZK million)	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
731. 12. 1993	5,000.00		
		950.00	From profit 1993
30. 6. 1994	5,950.00		

2 Capital adequacy of KOB/ČKA

The amount of capital of ČKA as at 31 December 2003 amounted to CZK 17,574.9 million. This capital, along with a system of continuous recapitalization, assured ČKA's ability to pay and cover its liabilities. The capital has a direct impact on ČKA capital adequacy rate, which together with reserves exceeded the minimum of 8% and reached the rate of 28.7% on 31 December 2003. The structure of capital and capital adequacy of KOB/ČKA for the period from 1997 through 2003 is listed in the following survey.

Capital KOB/ČKA 1997 - 2003 (CZK million)

(CZK million)	1997	1998	1999	2000	2001	2002	2003
	Own capital	Own capital	Own capital	Tier 1	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	5,950.0
Statutory reserve funds	31,477.3	31,430.5	31,383.3	31,378.8	29,314.1	26,001.1	22,974.0
Other reserve funds				10,685.7	54,338.5	76,415.8	6094.4
Accumulated losses							0.0
Loss for the period	(10,356.8)	(14,389.1)	0.0				(18,181.8)
Intangible assets without goodwill							(26.3)
Goodwill							0.0
Intangibles	(130.0)	(99.0)	(70.2)				
TOTAL	26,940.5	22,892.4	37,263.1	48,014.5	89,602.6	108,366.9	28,897.7
				Tier 2	Tier 2	Tier 2	Tier 2
Reserves for the coverage of general risks				1,392.5	1,415.4	1,055.3	766.1
TOTAL				1,392.5	1,415.4	1,055.3	766.1
Intangible assets				(133.8)	(87.5)	(40.9)	
Loss for the period				(12,742.5)	(16,122.5)	(79,433.5)	
Accumulated losses					(41,526.4)		
Capital investments in banks and financial investments				(5,500.0)	(5,565.5)	(5,500.0)	
Inventories							(1.5)
CAPITAL				31,030.7	27,716.1	24,447.9	17,574.9
Capital Adequacy Ratio	30.2%	20.8%	38.5%	26.1%	24.3%	28.9%	28.7%

Note: The methodology changed in 2000 and in 2003 in comparison with previous periods

3 Information on assets and the financial position

The development of ČKA's assets was limited by the volume of low-quality assets, assumed in accordance with the relevant Government decisions. In 2003, the impact of low-quality asset assumption by ČKA was prevailed by the decreasing effects of performed settlements of receivables, specifically through collecting received instalments of principals and assigning loan and security receivables from ČKA to new acquirers. The balance structure, results achieved and other indicators of ČKA's performance were influenced by transactions carried out based on the ČKA authorisation relating to the transfer of IPB assets from ČSOB, a.s., in accordance with the Contract and state guarantee of 19 June 2000 and the Contract of the Restructuring Plan of 31 August 2001. In March 2003, promissory notes and investments in limited partnerships were assumed from ČSOB, a.s. and, in July 2003, assets of off-shore structures were assumed. The transactions carried out relating to the application of the Government's EXIT and ROZVAHA restructuring programmes and of other activities procured by ČKA, again in accordance with the relevant Government decisions, had an important impact. In June, a block of receivables from ESS Charouz Holding clients at the nominal value of CZK 4.6 billion was sold and, in August, a huge block of receivables from clients in bankruptcy at the nominal value of CZK 55.7 billion was assigned.

The ČKA financial position in 2003 was developing in accordance with financial projections. Temporarily free financial resources were appreciated on financial markets continuously. ČKA made payments on account of payable funds at the relevant dates and amounts, completely and timely. ČKA continued to

finance its own operating activities and asset transfers to ČKA for consideration without any problems and, on the local financial markets, continues to be a reliable partner in large-scale financial transactions, in which it dominates as a contracting party free of the default risk in relation to counterparties. Indicators of ČKA's receipt collection show significant year-to-year increase.

4 Annual balance sheet

During 2003, ČKA's balance sheet was increased by the completed transfer of IPB securities from ČSOB, a.s. This transfer involved the assumption of shareholdings in limited partnership at the acquisition cost of CZK 3.7 billion. Provisions were established of CZK 3.5 billion and promissory notes at the acquisition cost of CZK 4.4 billion and the fair value of CZK 0.4 billion. In accordance with the Redemption Agreement signed on 31 July 2003, assets of an off-shore structure were assumed at the acquisition cost of CZK 49.3 billion, which, remeasured at the fair value, increased the assets by CZK 20.3 billion. In order to cover the losses on additions to provisions and on remeasurement, provisions were established at the total amount of CZK 29.5 billion in 2002 for coverage of the risk of assumption of said assets. Other low-quality assets from ČS, a.s. and KB, a.s. and receivables from the debtors of the SŽDC national organisation in accordance with the Czech Government Resolution no. 908/2003 were also transferred into ČKA's balance sheet for consideration. Furthermore, advance performance of assigned receivables from the health insurance companies' debtors was completed in accordance with Czech Government Resolution no. 1184+P/2003. In August 2003, with the consent of the incorporator and the Czech Government, the sale of a significantly large block of bankruptcy receivables (ČKA05) at the book value of almost CZK 41 billion was realised and, in June, the sale of a block of receivables from the clients ESS Charouz (ČKA07) at the book value of CZK 4.3 billion and of ownership interests, of which the largest ones included investments in PVT, a.s., IPB Real, a.s. and ŠKODA HOLDING a.s. were realized. Furthermore in 2003, individual assignments of a series of other loss-making receivables were carried out for consideration, as well as settlements of receivables from clients in bankruptcy upon the finalisation of bankruptcy proceedings, and instalments of standard loans in accordance with the instalment plans. The receivable from the state decreased by the amount of payment of the residual portion of the 2001 loss at CZK 18.6 billion. As a result of the above transaction effects and related additions to provisions or their use or release, the total assets (liabilities) under Czech accounting standards dropped by CZK 71.9 billion year-on-year and amounted to CZK 174.5 billion at 31 December 2003.

For separate balance sheet items, more significant changes in assets and liabilities are stated at the net book value of these items compared to the previous period:

Assets

Receivables from banks dropped by CZK 51 billion at the current year end and amounted to CZK 2.3 billion, in particular due to the completed transfer for consideration of securities from ČSOB, a.s.

The net book value of ČKA's receivables from clients, due to transactions in loans carried out in accordance with the Czech Government resolutions and consent of the incorporator, fell by CZK 23.6 billion and amounted to CZK 62.2 billion. The new book value of debt securities, shares and other trading securities rose, despite a diminution resulting from the sale and remeasurement, in year-on-year terms and amounted to CZK 13.3 billion as at 2003 year end. The increment was due to the assumption of securities from ČSOB, a.s.

The amount of ownership interests at their net values (upon adjusting for additions to provisions) recorded a mild decline at the year end since the drop related to the sale was compensated by an increase in the account of newly assumed investments from ČSOB, a.s. and capitalisation of receivables from VÁLCOVNY PLECHU, a.s. in accordance with the Czech Government Resolution no. 654/2001.

The drop in the aggregate net book amount of tangible and intangible assets of ČKA to CZK 0.8 billion at the current year end was largely due to the transfer without consideration of the real property Brno, Hudcova to the Czech Ministry of Finance.

Balances of other assets, particularly ČKA's receivables from the Czech Ministry of Finance and NPF on account of unsettled losses, noted a drop to CZK 90.8 billion, i.e. by CZK 8 billion in 2003. The diminution was affected mostly by the received part payment of receivables from the state of CZK 18.6 billion.

Liabilities

Liabilities to banks decreased by CZK 18.1 billion, i.e. to the amount of CZK 94.6 billion, as at 31 December of the current year, in particular relating to the drop in assets and the change in the structure of procured resources for their refinancing.

Liabilities to ČKA clients decreased from CZK 30.3 billion to 8.1 billion at 2003 year end, specifically in the region of liabilities repayable on demand. On the other hand, the amount of issued securities increased to CZK 43.6 billion, specifically due to an issue of ČKA bonds at the amount of CZK 5 billion and a fixed interest rate of 4% p.a., maturing in 2010, and of short-term bonds in the amount of CZK 5 billion, maturing on 22 March 2004. The issue programme for short-term bonds was approved by a decision of the Czech Securities Commission of 5 February 2003 and it is in effect until 31 December 2011.

The balance of ČKA's established provisions was reduced by CZK 34.4 billion, i.e. to CZK 4 billion at the current year end, due to the balance of use of provisions that have been established, without limitation, for the following purposes:

- to cover contingent losses on the portfolio assumed from ČSOB, a.s. in 2003 (stakes in limited partnerships, promissory notes and off-shore structure assets),
- to cover the receivables of Nová Hut', a.s. for issued bonds, in accordance with the Czech Government Resolution no. 587/2002, and
- to cover the losses on settlement of receivables, for which the above provisions were established; used in relation to block or individual assignments of receivables, and for the creation of provisions to cover future losses on assumed receivables of health insurance companies from the health insurance payers in default, in accordance with the Czech Government Resolution no. 1184+P/2003.

The other liabilities, mostly consisting of payables arising in relation to coverage of profits and losses of subsidiaries amounted to CZK 7 billion at 31 December 2003.

The paid up share capital of ČKA hd amounted to CZK 5.95 billion in 1994 and did not change in 2003.

ČKA's reserve funds were used in 2003, based on the approval by the Czech Minister of Finance (ref.no. 111/36317/2003) of 7 May 2003, to partly cover the loss of CZK 3 billion recorded by ČKA in 2002 and their balance, after the above use, amounted to CZK 23 billion at the current year end.

Other funds from profit, and capital funds in particular, decreased to CZK 6.2 billion on an advance basis at 31 December 2003 and express the expected coverage of 2003 losses by NPF and the state (through the Czech Ministry of Finance) in accordance with the signed agreements.

Profit (loss) for the period

In accordance with the relevant provisions of the Act no. 239/2001 Coll., stipulating ČKA's mission and activities, ČKA assumed for consideration low-quality assets of approx. CZK 61 billion at book value from commercial banks and other institutions into its balance sheet in 2003 in accordance with the relevant Government resolutions, and addressed the assumed risk of contingent losses on low recoverability of the receivables by additions to provisions and remeasurements to the fair values. Consequently, ČKA recorded a net loss of CZK 18.2 billion as at 31 December 2003.

The most important element within the structure of the loss for the period was represented by the loss on financial transactions, including, above all, the cost of remeasuring the off-shore structure assets assumed from ČSOB, a.s. or the cost of additions to provisions for promissory notes. The above costs were partly eliminated by use of other reserves established in 2002 to cover future risk of loss on assumption of the above assets.

Another element of an important volume was represented by the loss on settlement of receivables through assignment, and, the cost of write-offs of receivables that remain outstanding when the bankruptcy proceedings are closed. The costs were compensated by using specific and general provisions and reserves to a considerable degree, while the residual loss will be paid for from the ČKA Reserve Fund, in the financial statements for 2003.

The costs of additions to specific and general provisions were related to the new commitment of assuming receivables from health insurance companies in accordance with the Czech Government Resolution no. 1184+P/2003, as well as to the increased risk in the current portfolio of a depreciated value of admitted securitisation of the portfolio and changes in classification. Release of specific provisions relating to the repayment of classified loans and the sale of receivables was favourably reflected in the net profit (loss) for the period.

The loss on the transfer of ownership interests in subsidiaries and associated undertakings was compensated for by use of provisions. The cost of additions to specific provisions for ownership interests were influenced namely by establishing them for shareholdings in limited partnerships. The cost was fully eliminated by employing other provisions, established for the assets, in 2002.

In 2003, other provisions were used at the amount of CZK 31 billion, out of which CZK 22 billion related to off-shore structure assets, CZK 7.5 billion to the promissory notes and limited partnerships assumed from ČSOB, a.s., CZK 1.2 billion to covering the liability on account of the issued bonds of Nová Huť, a.s. in accordance with the Czech Government Resolution no. 587/2002, and CZK 0.3 billion of the provisions were used to reduce the risk of loss on "black" real properties assumed from ČSOB, a.s. and derivatives from ČS, a.s.

Administrative costs amounted to CZK 0.9 billion in 2003, which means they fell by 3.8% compared to 2002. The favourable reduction of the costs documents the growth of ČKA's productivity and efficiency.

Out of the total loss of CZK 18.2 billion, CZK 12.2 billion will be settled from the single purpose ČKA Reserve Funds designed to cover the costs and losses related to receivables that have been written off or settled in another way in 2003. ČKA's remaining losses on other activities will be settled according to the

decision of the ČKA Supervisory Board at the amount of CZK 5.2 billion from the Czech Ministry of Finance resources in accordance with relevant provisions of the ČKA Act, while the residual CZK 0.8 billion has been settled by NPF in accordance with the relevant agreements on coverage of costs and losses.

ČKA's credibility, provided for under loss-making performance circumstances by using a system of continuous payments for losses incurred from the resources managed by the Czech Ministry of Finance; by the volume of the company's own Reserve Fund; by contractual guarantees undertaken by NPF and by the state, was significantly enhanced in 2003 by the achieved levels of collected payments of loans, payments of interest, the sale transactions and by other income at the aggregate annual amount of CZK 32.8 billion.

Revenue figures for the last two accounting periods - direct collection ČKA /KOB

Due to the nature of ČKA's activities, figures stated show direct collection instead of revenue

	Real collection (CZK million)			
	at 31.8. 2001	at 31.12.2001	at 31.12.2002	at 31.12.2003
Collection of principal, interest, sanction incl. Collection from bankruptcies	6,018.2	9,001.2	12,911.1	14,483.1
Collection from cession	1,873.7	2,158.6	5,264.1	5,131.1
Collection from securities (investments and other sec.)	0.4	712.0	1,296.5	7,494.2
Collection ČKA /KOB (without collection from daughter companies and NPF)	7,892.3	11,871.8	19,471.7	26,235.0
Collection from daughters and NPF, other	14,754.2	23,241.5	38,437.2	5,721.7
TOTAL ČKA /KOB	22,646.5	35,113.3	57,908.9	32,830.1

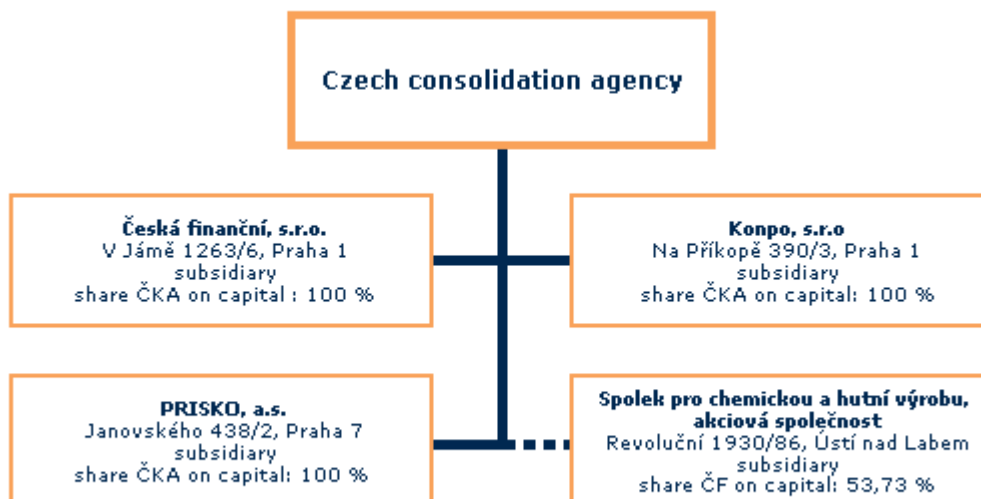
Guarantees given at 31 December 2003

Company	Volume (in CZK)	Volume (in CZK)	Volume (in CZK)
	At 31.12. 2001	At 31.12. 2002	At 31.12. 2003
CORFINA, a.s.	1,087,913,894.00	823,776,897.00	614,493,006.00
ČESKÉ AEROLINIE a.s.	125,843,127.00	0.00	0.00
ČESKÁ SPOŘITELNA, a.s.	11,981,760,677.29	3,309,916,141.77	14,057,000.00
IPB REAL a.s.	0.00	67,250,000.00	67,250,000.00
KOMERČNÍ BANKA, a.s.	20,000,000,000.00	6,812,000,000.00	5,861,745,964.70
KOSTEL.UZENINY a.s.	0.00	12,138,000.00	12,138,000.00
VODNÍ STAVBY, a.s.	1,111,050.30	0.00	0.00
SLÉVÁRNA KUŘIM, a.s.	25,500,000.00	0.00	0.00
TUSCULUM a.s.	0.00	2,550,000.00	2,550,000.00
TRIFINAL, a.s.	25,762,779.00	0.00	0.00
VIPAP VIDEM KRŠKO	0.00	90,565,701.75	90,229,369.50
ZETOR, a.s.	800,000,000.00	36,684,811.67	36,684,811.67
TOTAL:	34,047,891,527.59	11,154,881,552.19	6,699,148,151.87

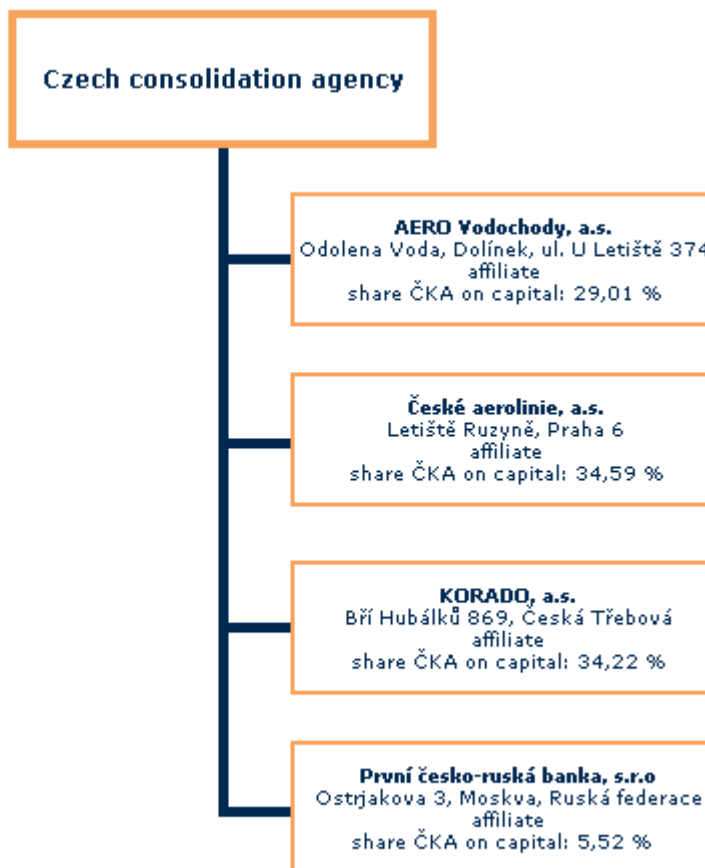
CONSOLIDATION UNIT

The consolidation unit of ČKA for the year 2003 has the following structure:

Full method of consolidation



Equivalent method of consolidation



Information on companies included in the consolidated group for 2003

1 Česká finanční, s.r.o.

Registered office: Praha 1, V Jámě 1263/6, Postal Code 111 21
Company ID: 47450622
Ownership structure: ČKA is the sole partner
Ownership interest acquired: on 30 June 2000, purchase of a 100% shareholding from CNB in accordance with the Czech Government Resolution no. 529 of 31 May 2000

Statutory representatives:

Ing. Vladimír Franc - General Manager
Ing. Pavel Obruča - First Deputy General Manager
Ing. Jiří Pivrnec - Deputy General Manager

Scope of business:

- administrative management services and organisation and financial services with both individuals and legal entities
- data processing, databank services, network administration
- real property activities - lease of properties, flats and non-residential space

Net profit (loss) as at 31 December 2003: CZK 2.2 billion

Amount and types of provisions at 31 December 2003: 0

Key business:

Česká finanční, s.r.o. performs asset management, i.e. of loans receivable, securities and ownership interests it has assumed under the programmes. The first programme serves to strengthen the stability of the Czech banking sector and has been approved by the Czech Government Resolution no. 539 of 16 October 1996 (so-called stabilisation programme), while the second programme promulgated by ČNB serves the consolidation of banks, in particular relating to mergers of smaller-size banks (so-called consolidation programme). Under both of the programmes, the activities of Česká finanční, s.r.o. focus specifically on receivable portfolio management, judicial exaction of receivables, sale of receivables, co-operation with external firms in contractual management of receivables, management and realisation of collaterals, and management and sale of securities.

Česká finanční, s.r.o. continued the above activities in 2003, with the key range of activities consisting of management of the receivable portfolio, judicial exaction of receivables, sale of receivables (individual sales and preparation of block sales), management and realisation of collaterals, and management and sale of ownership interests and securities. Česká finanční, s.r.o. achieved the total collection at CZK 2 billion. The key share in the achieved collections is represented by the collection gained on realisation of collateral instruments linked to the loan extended to Union banka, a.s.

Česká finanční, s.r.o. closed in 2003 with profit in the amount of CZK 2.2 billion. At the same time, the total assets and liabilities of the companies increased by CZK 2.5 billion year-on-year. The receivable from ČSOB, a.s. based on the "Composition Agreement" signed in August 2003 plays a key role in the above facts. The Agreement provides a vehicle of extrajudicial solutions of mutual controversial relations between Česká finanční, s.r.o. and ČSOB, a.s.

2 Konpo, s.r.o.

Registered office:	Praha 1, Na Příkopě čp. 390/ 3, Postal Code 111 21
Company ID:	26149729
Ownership structure:	ČKA is the sole partner
Ownership interest acquired:	in March 2000, by purchase of a 100% shareholding from KB, a.s. in accordance with the Czech Government Resolution no. 187/2000, on the proposed restructuring of KB, a.s. assets relating to the procedure of its privatisation.

Statutory representatives:

Ing. Pavel Obruča - General Manager
Ing. Vladimír Franc - First Deputy General Manager
Mgr. Zdeněk Čáp, Ph.D. - Deputy General Manager

Scope of business:

- real property activities
- administrative management services and organisation and financial services with both individuals and legal entities

Net profit (loss) as at 31 December 2003: CZK (2.8 billion)

Amount and types of provisions: 0

Key business:

The mission of Konpo, s.r.o. is to minimise the adverse impacts on the state expenditures with regard of the privatisation process of KB, a.s., relating to purchase of CZK 60 billion low-quality receivables. After assumption of the receivables from KB, a.s., key activities include their management, i.e. performance of acts related to the stabilisation of the receivable portfolio, restructuring debtors' receivables, performing a financial analyses of assumed receivables, measuring receivables and real properties, and dunning receivables through administrative methods until resolved by their full repayment, assignment or through a court procedure. Realisation of assets is a separate activity.

As a result of setting a new strategic goal for 2003, to sell a decisive proportion of the assets through the block sale, new personnel measures were adopted relating to the preparation and realisation of the block sale (appointment of the project team and design of the project organisation structure) and the time schedule of activities was approved.

As part of the preparatory stage, the portfolio structure was defined for organisation of the public tender, entry of data on separate receivables into the supporting information system, and preparation of information files containing documentation on the underlying receivables. During the preparatory stage, entry data were consistently checked for validity and relevance.

In spite of the suspended sale of the receivable block, the Company's total collection for 2003 amounted to CZK 2.123 billion (2002: CZK 2.11 billion), while the total assets and liabilities of the company decreased by CZK 3.949 billion compared to 2002.

3 PRISKO a.s.

Registered office: Praha 7, Janovského 438/2, Postal Code 170 06
Company ID: 46355901
Ownership structure: ČKA is the sole shareholder
Ownership interest acquired: in April 1996, by purchase of shares from NPF

Board of Directors:

Ing. Olga Mihalčíková - Chairman
Ing. Blanka Knyblová - Vice-Chairman
Ing. Zlata Gröningerová (ČKA) - Director

Scope of business:

- management and settlement of assets and liabilities relating to privatised assets
- lease of buildings and provision of related services
- operation and management of recreational facilities

Net profit (loss) as at 31 December 2003: CZK 43 million

Amount and types of provisions at 31 December 2003: Statutory reserve fund CZK 66,077,000
Statutory and other funds CZK 15,217,000

Key business:

PRISKO a.s. is a special company, established in relation to the privatisation of the former state company ŠKODA Mladá Boleslav in 1992, at which time it assumed certain liabilities of the original company. These liabilities included a liability for defects of products manufactured by Škoda in the past, a solution to certain receivable relationships and asset-connected relationships (mostly real property) that the Czech party contributed to the newly privatised company - the current ŠKODA AUTO a.s.

An important requirement of the formation of PRISKO, a.s., in accordance with the above privatisation project was the transparency of its activities under direct supervision of the state-controlled entity, specifically in view of the necessity to ensure consistency with the Government-guaranteed agreements between the Czech and German parties at origination of the current ŠKODA AUTO a.s. Therefore, in 1996 KOB Praha, s.p.ú. acquired the full shareholding from NPF, in accordance with the Czech Government Resolution no. 708 of 6 December 1995.

In 2003, solution of ownership relationships continued as the leading activity, specifically titles of third parties to the real properties contributed by the Czech party into the privatised company.

4 Spolek pro chemickou a hutní výrobu, akciová společnost

Registered office:	Ústí nad Labem, Revoluční 1930/86, Postal Code 400 32	
Company ID:	00011789	
Shareholder structure at 31 December 2003:	Česká finanční, s.r.o.	53.73%
	National Property Fund	12.00%
	Via Chem Group, a.s.	8.80%
	minor shareholders	25.48%

Ownership interest acquired:

The shares were transferred into ownership of Česká finanční, s.r.o. in 1997 from Foresbank, a.s. under the consolidation programme (571,324 shares; 14.73%) and stabilisation programme (1,512,683 shares; 39%).

Statutory representatives:

Pedro Pick Waneck - Chairman
Ing. Martin Procházka - Vice-Chairman
Ing. Ivan Beránek - Director
Ing. Přemek Hlavnička - Director
Ing. Josef Zbořil - Director
Mark Francis Vydra - Director

Scope of business:

The key business includes research, development, production and processing of chemical and biochemical products.

Net profit (loss) as at 31 December 2003: CZK 835,237.94

Amount and types of provisions at 31 December 2003: other provisions amount to CZK 2,642,000

Key business:

Spolek pro chemickou a hutní výrobu, akciová společnost (*Consortium for chemical and metallurgical production, "Spolchemie"*) ranks among the core businesses operating in the chemical production sector of the Czech Republic. The product range is designated for a variety of manufacturers in other industrial segments. Spolchemie production is classified under three core segments: production of inorganic chemicals, synthetic resins and organic dyes. Spolchemie is a dominant producer within the Czech Republic for numerous product categories and ranks among Europe's leading producers for many

products. The long-term strategy of Spolchemie includes a focus on restructuring, cost efficiency, improved sales, marketing and client service, and modernisation of selected technologies.

The company performance in 2003 was affected by a deficit of the production of artificial resins due to a fire, by the stagnation of prices and by appreciation of the Czech crown. Immediately after the fire, preparatory work started for the construction of new production facilities for synthetic resins. The company has continued removing so-called "old environmental burdens", using the NPF resources. According to the interim results, the activities of Spolchemie in 2003 closed with a profit despite forecasts.

5 AERO Vodochody a.s.

Registered office:	Odolena Voda, Dolínek, ul. U Letiště č.p. 374, Postal code: 25070	
Company ID:	00010545	
Shareholder structure at 31 December 2003:	ČKA	29.01%
	LETKA, .a.s.	35.66%
	Boeing Česká, s.r.o.	35.29%
	AERO HOLDING, a.s.	0.03%
	AERO Vodochody a.s.	0.01%
Ownership interest acquired:	16 December 1994 - 0.02% SC* (capitalisation of receivables)	
	16 December 1994 - 0.02% SC (capitalisation of receivables)	
	20 October 1997 - 28.98% SC (capitalisation of receivables)	
	21 August 2003 - 0.01% SC (off-shore)	

* SC = share capital

Board of Directors:

Ing. Václav Srba - Vice-Chairman of Board of Directors
Ing. Jiří Čapek - Director
Ing. Vladimír Jaroš - Director
Miroslav Šifner - Director

Scope of business:

The key business includes development, production, testing, repairs, maintenance and modernisation of trainer and fighter military aircrafts, aircraft parts and jigs.

Net profit (loss) as at 31 December 2003: CZK 313,281,000

Amount and types of provisions at 31 December 2003:

reserve funds and other funds from profit	CZK 186,025,000
other provisions	CZK 1,452,631,000

Key business:

AERO Vodochody a.s. is a traditional manufacturer of aeronautical technology of its own design. The core programme in 2003 consisted of production of the light subsonic fighter L159, of which supplies for the Czech Army commenced in 1999. The key co-operation programme included manufacture and assembly of the chopper Sikorsky S-76C+ and the other major projects include production of the cannon hatch for F/A 18 Super Hornet and production of parts for Boeing 747, 757 and 767 aircrafts. The project of the civil single-engine turbo-prop aircraft Ae 270 is in the stage of the non-terminated development, with model certification in progress, and has commenced serial production.

The current shareholder structure of the company (Boeing Česká, s.r.o. 35.29%, LETKA, a.s. 35.66%, ČKA 29.01%) developed after entry of the strategic partner Boeing and upon consent of the Czech Government in 1998. In this connection, the Government provided guarantees to AERO for loans and for the bonds issued by AERO, up to the amount of USD 967 million.

Prior to entry by the strategic partners, AERO had negative equity of CZK 2.65 billion. According to the ten-year business plan, the company should achieve a positive amount of the equity in 2004, while the state guaranteed loans should be repaid in full in 2005. The basis of gaining the required profits and cash flows over separate years was represented by the sales of export versions of L159 that should have been realised in 2001.

While AERO closed with profit in the last three years (accumulated profit of more than CZK 1.6 billion), the equity amount remains negative at more than CZK 5 billion and the value of state guaranteed outstanding liabilities amounts to approx. CZK 10 billion.

The key reason of the above situation is that fact that AERO has failed to win and sign any export contract for L 159A/B as yet.

6 České aerolinie a.s.

Registered office:	Praha 6, Letiště Ruzyně, Postal Code: 16008	
Company ID:	45795908	
Shareholder structure:	Czech NPF + Foundation Fund	56.43% + 0.49%
	ČKA	34.59%
	Česká pojišťovna a.s.	4.33%
	Hlavní město Praha	2.94%
	Hlavní město Bratislava	0.98%
	Slovak NPF	0.24%

Board of Directors:

Ing. Jaroslav Tvrdík - Chairman of Board of Directors

RNDr. Kateřina Hobzová Chalupová - Director

JUDr. Jaroslav Švábík - Director

Ing. Peter Jusko - Director

Ing. Tomáš Heczko - Director
Ing. Petr Jůza - Director
Ing. Zuzana Řezníčková - Director

Scope of business:

The scope of business includes the following key areas:

- commercial air service operation
- provision of services at the clearing process in the Praha-Ruzyně Airport, clearance of aircrafts on the operating area, clearance of passengers, cargo and mail
- provision of catering services for aircrafts (supplies of food and beverage)
- procurement of services in air transport

Net profit (loss) as at 31 December 2003: expected actual CZK 150,273,000

Amount and types of provisions at 31 December 2003: the Company, with respect to the expected actual results, records statutory reserves of CZK 1,235,216,000 and other provisions of CZK 541,334,000.

Key business:

The ownership interest of ČKA in České aerolinie a.s., the leading Czech air carrier, was acquired in accordance with the decision of the Czech Government in connection with the withdrawal of Air France from Československé aerolinie, a.s. in 1994. In that year, KOB Praha, s.p.ú. purchased a shareholding representing 19.10% of the share capital of the company from Air France CS Participation S.A. Following an increase and subsequent decrease of the share capital of the company in 1995 serving to cover the loss brought forward, the share held by KOB Praha, s.p.ú. dropped to 16.32%. According to the agreement signed between KOB Praha, s.p.ú. and the European Bank for Reconstruction and Development in 1994, and also according to the Czech Government decision, EBRD exercised a put option in September 1997, based on which KOB Praha, s.p.ú. purchased shares of České aerolinie a.s. representing another 16.32% of the share capital. Subsequently in 1999 and 2001, KOB Praha, s.p.ú. exercised its preemptive right relating to the sale of the company shares by some of the original shareholders and acquired another 1.96% of the share capital. The current shareholding of ČKA in the share capital of the company is 34.59%.

In 2003, ČKA, in agreement with another major shareholder of the company NPF, prepared and approved in the General Meeting a change in the company's articles of incorporation, which consisted of a transition to the "German" management model incorporating enhanced powers of the Supervisory Board. At the same time, the number of the Supervisory Board members was increased from 6 to 12. Subsequently, membership of the Supervisory Board and the Board of Directors was updated and the latter is now composed solely of ČSA management.

7 KORADO, a.s.

Registered office:	Česká Třebová, Bří Hubálků 869, Postal Code: 56002, County: Ústí nad Orlicí	
Company ID:	25255843	
Shareholder structure:	ČKA	34.22%
	EBRD	29.14%
	F. Menclík	9.16%
	L. Petr	9.16%
	M. Obora	9.16%
	B. Brabec	9.16%

Ownership interest acquired in relation to capitalisation of a part of the receivables of KOB Praha, s.p.ú. from KORADO, a.s., based on the Resolution by the Banking Board of KOB no. 219/00, Resolution of the Supervisory Board of KOB Praha, s.p.ú. of 20 July 2000 and letters by the Minister of Finance of 9 August 2000 a 22 September 2000.

Scope of business:

The key business activities include the following:

- manufacture of central heating radiators
- manufacture, installation and repairs of air-handling equipment
- production and manufacture of plastics, including finishing technologies

Net profit (loss) as at 31 December 2003: CZK 111,324,000

Amount and types of provisions at 31 December 2003: statutory reserve fund CZK 1,556,000
other provisions CZK 7,539,000

Key business:

KORADO, a.s., is one of the largest European independent manufacturers of steel radiators. In 1996, the company used a loan to implement an extensive capital expenditure programme, which has resulted in one of the modern manufacturing plants within the industry. KORADO, a.s. realises about a half of its sales in the Czech Republic and its market share is about 60%. The company is a major exporter, and exports account for approx. 60% of the sales.

Since 1997, the European Bank for Reconstruction and Development has been a shareholder (with the current holding at 29.14% of the share capital KORADO, a.s.). In 2000, a certain proportion of receivables of KOB Praha, s.p.ú. from KORADO, a.s. was capitalised and KOB Praha, s.p.ú. gained a 34.22% stake in the share capital. The other shares are held by four individuals.

The public tender started in 2001 for the sale of up to 100% of KORADO, a.s. shares and assignment of all ČKA receivables from KORADO, a.s. was terminated in August 2003, based on a decision by the selling shareholders of KORADO, a.s. and, since that time, ČKA has been considering solutions for ČKA's assets in KORADO, a.s.

In 2003, KORADO, a.s. continued the previous trend of improved financial performance and the company's profit may be expected to exceed CZK 100 million. The improved financial position of the company has been reflected in the company's capacity to repay a substantially larger amount of loans compared to the previous periods.

8 První česko-ruská banka, s.r.o. ("PČRB")

Registered office:	Ostrjakova 3, 125057 Moscow, the Russian Federation	
Ownership structure:	STROJTRANSGAZ v.o.s. (RF)	94.47%
	ČKA	5.52%

Ownership interest acquired:

On 28 August 2002, based on an agreement to transfer a shareholding between ČSOB, a.s and ČKA of 2 May 2002, in accordance with the Agreement of Restructuring Plan signed between ČSOB, a.s., ČKA and the Czech Ministry of Finance, a shareholding in PČRB, s.r.o. - Moscow at the nominal value of CZK 156.808 million was transferred to ČKA.

On 4 December 2003, based on a contract of the shareholding purchase, the shareholding of První investiční společnost, a.s. at the nominal value of CZK 4.264 million was transferred to ČKA in accordance with the Government Resolution no. 1278/2002 of 16 December 2002.

Board of Directors:

R. J. Popov - Chairman for the Russian party

P.V. Sidelnikov - temporarily, until approval into office of the Czech party representative

Vacant - First Deputy Chairman (for the Russian party)

I.V. Oblezov - for the Russian party

Ing. Michail Filippov - for the Czech party

Scope of business:

Performance of activities as stipulated by the Russian Federation Act on Banks and Banking no. 395-1, as amended. The bank has been issued a licence authorising it to perform all banking transactions carried out both by legal entities and individuals, except for trading in precious metals.

Net profit (loss) as at 31 December 2003: expected actual CZK 46,697,000 (or, RUB 53,613,000*)

Amount and types of provisions at 31 December 2003: provisions established for loans at the amount of CZK 53,072,000 (or, RUB 60,932,000*)

*) translation to CZK as at 31 December 2003

Key business:

The bank was established in Moscow in 1996, with its primary mission to provide service to the Czech and Russian businesses in general and joint-ventures. The bank has obtained a licence authorising it to perform basically all banking transactions carried out both by legal entities and individuals. It currently holds the 28th position among the Russian banks and its rating is Baa3 (Rus).

ČKA acquired its ownership interest in the bank through a transfer of the shareholding in the share capital of the bank from ČSOB in August 2002. In December 2002, the strategic investor STROJTRANSOAZ invested its capital into the bank. STROJTRANSOAZ is a Russian company and increased the share capital of the bank to the current RUB 3.2 billion (approx. USD 100 million) in June 2003. The ČKA shareholding in the share capital of the bank currently represents 5.52%, with a contractually set option to increase the Czech party's shareholding up to 50%, while maintaining the Czech party's influence in the company bodies.

For further information on the companies included in the consolidated group, kindly see the Notes to the Consolidated Financial Statements of ČKA.

REPORT BY ČKA SUPERVISORY BOARD FOR 2003



In 2003, the Supervisory Board performed its tasks in accordance with the Act no. 239/2001 Coll., On Czech Consolidation Agency (Česká konsolidační agentura), Statutes of Česká konsolidační agentura and abided by the internal guidelines of Česká konsolidační agentura in force.

As of 19 March 2003, Ing. Milan Urban resigned from his office in relation to his appointment to the Czech Government. The House of Delegates failed to elect a replacement by the end of 2003. The Supervisory Board discharged its tasks to the incomplete membership, though this fact did not lessen its readiness for action. All resolutions of the Supervisory Board were always adopted by the majority stipulated by the Act and Statutes.

During 2003, the Supervisory Board met in 32 meetings, discussed 571 items on its agenda and adopted 342 resolutions. The Chairman or Vice-Chairman of the Supervisory Board also participated in the Board of Directors meetings where needed, with an aim of reaching maximum consensus and a maximum level of efficient discussion possible. The benefits of this approach to discussion are documented by the fact that, in spite of different political views and regional preferences of the Supervisory Board members, the Board adopted its resolutions unanimously or by a distinct majority rule, in a close concert with the proposals presented by the Board of Directors.

The Supervisory Board is required by law to consider all financial and asset transactions of ČKA in excess of CZK 500 million. While such transactions were not numerous, they mostly involved resolving extremely challenging problems, not only in terms of the expensed finance but, even more importantly, in view of the fact that potential solutions have both a financial and significant social dimension and are therefore rather closely monitored by the media and public. It will suffice, in this respect, to quote illustratively the key cases addressed in 2003: finalisation of restructuring the steel industry (Vítkovice, a.s., Vítkovice - strojírenství, Vysoké pece Ostrava, Třinecké železářny, Nová Hut'), Zetor, Charouz-holding, Spolana, Unipetrol etc.

The Supervisory Board consistently took care that all assignments of receivables be carried out through transparent tenders and, in the instances where such assignment was performed based on Sect. 5(6), Act no. 239/2001 Coll., i.e. where, pursuant to a decision by the Government, ČKA is required to carry out a transaction it would, in view of the risks arising from the transaction for ČKA, otherwise be prevented from making due to the prudence principles, that the Government be warned about the fact prior to giving consent to its and that the transaction be performed based on a letter of order by the Minister of Finance of the Czech Government. As has been demonstrated by the statistical data according, the differences are not marginal ones and in 2003 the sales of receivables performed along the standard methods of ČKA recorded the recoverability at 34.6% of the book value of receivables, while the sales performed based on the Government resolution recorded recoverability at only 14% of the book value of receivables.

A note needs to be made in connection to the hard media campaign against ČKA conducted in the last year. Quite naturally, decisions that result in major asset shifts will provoke a wave of protests, both from unsuccessful bidders and from debtors who have been hoping for a write-off or waiver of their debt. Unfortunately, even the public-corporation television allowed space for this irresponsible presentation of

subjective opinions of ČKA clients. Upon motion filed by the ČKD Supervisory Board, the Czech Council for Radio and Television Broadcasting identified an infringement of law and assessed a fine to the Czech Television, however the reputation of ČKA has already been irreversibly impaired.

In this respect, the worst damage was inflicted by the media presentation of the arbitration proceedings between ČKA and the EC Group on the receivables assigned under ČKA 04 to the block sale. While it was obvious from the beginning that only the court can decide conclusively on the existence or non-existence of the receivables and that the legal condition of separate receivables has been the responsibility of their original owners who have transferred them to ČKA or KOB Praha, s.p.ú. based on the decision of the Government, the subsequent suspension of the block sales until final evaluation of the case by the Czech Minister of Finance was strongly reflected in the feasible price of assigning receivables for two primary reasons: they are mostly low-quality receivables the price of which declines markedly over time and stricter contractual documentation will result in further price fall as any potential acquirer will necessarily reflect the increased assignment risk in the price. Similar adverse impacts have been caused by the delays on the part of the Government and the Ministry of Finance in the resolution of receivables from Trustfin, a.s. and ZVI, a.s., in resolution of receivables from the clients related to PGRLF and, last but not least, also by hesitations about addressing the need of complementing the ČKA Board of Directors.

Persistent attention of the Supervisory Board brought an example of success represented by the final and systemic solution of receivables arising from the loans for HTI that were present at the formation of former KOB Praha, s.p.ú., the predecessor of ČKA, and by approval of principles to be applied to the indebtedness of towns and municipalities to ČKA and its subsidiaries. Unfortunately, the details of the transaction between IPB and ČSOB have not been completely finalised.

The key task for the nearest period includes preparation for the discontinuation of ČKA's operation within a shorter term, i.e. by 2007. The Supervisory Board, since the very beginning of its existence, has been striving to accelerate sales as much as possible and is prepared to do everything within its powers to meet the shorter deadline. Contradictory to these efforts, however, are delays that cannot be influenced by the Supervisory Board (such as the above suspension of block sales) and other receivable portfolios that are transferred to ČKA based on the decision by the Government. During the period under review, the above involved particularly receivables from the national organisation SŽDC and receivables of health insurance companies.

The standard agenda of the Supervisory Board included consideration of the operating budget and investment plan of ČKA, monthly operating information on ČKA's performance and the performance of subsidiary companies and monitoring the liquidity developments, including discussion of optional solutions. The Supervisory Board has discussed the Annual Report for 2003 and the Report by Independent Auditors on the Consolidated Financial Statements for the year 2003 and has recommended them for final approval to the Czech Minister of Finance.

The Supervisory Board also co-operated with the Internal Audit Department at the scheduled reviews and at examination of external complaints. Separate review tasks assigned to the Internal Audit Department by the Supervisory Board were completed in accordance with the provisions of the ČKA Act, statutory and other internal standards of ČKA. In relation to the above media campaign, the Supervisory Board has initiated continuation of the special investigation, the first stage of which has already taken place at the turn of 2001 and 2002, while the present stage should evaluate and compare conclusions, remedy potential part deviations and set down and implement measures and recommendations serving to improve the overall approach to general management and portfolio management, internal controls and methodology, and to prevent recurrence of any identified deficiencies. The Supervisory Board also co-

operated with control specialists of the Supreme Control Authority in carrying out the scheduled reviews of disposal of the state assets, with a focus on receivables from the debtors who form a decisive proportion of ČKA's assets.

A handwritten signature in black ink, appearing to read 'V. Tlustý'.

Vlastimil Tlustý
Chairman, Supervisory Board of ČKA

ABBREVIATIONS

ČKA	Czech Consolidation Agency
KOB Praha, s.p.ú.	Konsolidační banka Praha, státní peněžní ústav
NPF	National Property Fund
ČS, a.s.	Česká spořitelna, a.s.
KB, a.s.	Komerční banka, a.s.
RA, a.s.	Revitalizační agentura, a.s.
ČNB	Czech National Bank
Act on ČKA	Act no. 239/2001 Czech consolidation agency
ČSOB, a.s	Československá obchodní banka, a.s.
LNM	LNM Holdings N.V.
SŽDC	Správa železniční dopravní cesty, státní organizace
IPB	Investiční a poštovní banka
PČRB, s.r.o.	První česko-ruská banka, s.r.o.

REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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 2003 (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 2003, 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 9.288 billion to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses. This interpretation was reconfirmed to the Agency by the Ministry of Finance on 27 October 2003.

31 March 2004

PricewaterhouseCoopers

PricewaterhouseCoopers Audit, s.r.o.
represented by

Paul Cunningham

Paul Cunningham
Partner

Helena Vojáčková

Helena Vojáčková
Auditor, Licence No. 1910

Balance Sheet as at 31 December 2003 (CZK million)

Assets	31 December 2003	31 December 2002	31 December 2001
Cash and deposits with central banks	5	11	13
Due from banks	2,350	53,332	32,373
a) repayable on demand	25	63	81
b) other receivables	2,325	53,269	32,292
Due from customers	62,169	85,808	123,771
of which: other receivables	62,169	85,782	123,721
Debt securities	1,520	1,102	3,106
of which: issued by other entities	1,520	1,102	3,106
Shares, mutual shares and other interests	11,793	1,542	1,706
Participation interests with significant influence	4,300	4,411	3,888
of which: in banks	161	193	-
Participation interests with controlling influence	665	563	-
Long-term intangible fixed assets	26	41	89
Long-term tangible fixed assets	791	935	1,723
of which: land and buildings for operating activities	542	566	589
Other assets	90,833	98,636	76,040
Prepayments and accrued income	6	6	8
Total assets	174,458	246,387	242,717

Liabilities	31 December 2003	31 December 2002	31 December 2001
Due to banks	94,637	112,739	114,256
of which: other payables	94,637	112,739	114,256
Due to customers	8,083	30,314	29,320
a) repayable on demand	3,345	25,316	2,199
b) other payables	4,738	4,998	27,121
Liabilities from debt securities	43,570	33,312	13,863
of which: issued debt securities	43,570	33,312	13,863
Other liabilities	7,011	2,487	9,219
Accruals and deferred income	115	105	27
Provisions	4,003	38,383	43,960
of which: other provisions	4,003	38,383	43,960
Share capital	5,950	5,950	5,950
of which: share capital paid up	5,950	5,950	5,950
Reserve funds and revenue reserves	22,976	26,004	29,321
a) statutory reserve funds	22,974	26,001	29,314
b) other revenue reserves	2	3	7
Capital funds	6,205	76,527	54,449
Revaluation reserve	90	-	-
of which: revaluation differences on hedging derivatives	90	-	-
Accumulated losses from previous periods	-	-	(41,526)
Loss for the accounting period	(18,182)	(79,434)	(16,122)
Total liabilities	174,458	246,387	242,717

Off-balance Sheet as at 31 December 2003 (CZK million)

Assets	31 December 2003	31 December 2002	31 December 2001
Commitments and guarantees given	7,139	10,995	39,343
a) commitments	356	552	5,295
b) guarantees and collaterals	6,699	10,355	34,048
c) guarantees from bills of exchange	84	88	-
Receivables from spot transactions	21	346	43
Receivables from term instruments	11,345	2,035	781
a) interest instruments	10,000	-	-
b) currency instruments	731	2,035	76
c) equity instruments	614	-	705
Receivables from option instruments	-	464	-
Receivables written-off	10,618	9,380	4,228
Assets in custody	1,308	3,670	1,817
of which: securities	1,308	3,670	1,817
Total off-balance sheet assets	30,431	26,890	46,212

Liabilities	31 December 2003	31 December 2002	31 December 2001
Commitments and guarantees received	59,720	148,585	151,776
a) commitments	29,466	132,882	133,786
b) guarantees and collaterals	30,251	15,700	17,873
c) guarantees from bills of exchange	3	3	117
Collaterals received	7,361	54,656	14,167
a) real estate pledges	7,019	13,140	11,639
b) cash pledges	5	7	125
c) securities pledges	43	41,312	331
d) other	294	197	2,072
Payables from spot transactions	22	345	43
Payables from term instruments	11,313	2,036	778
a) interest instruments	10,000	-	-
b) currency instruments	699	2,036	73
c) equity instruments	614	-	705
Payables from option instruments	-	464	-
Assets under custody	1,329	1,320	1,219
Total off-balance sheet liabilities	79,745	207,406	167,983

Income Statement for the year ended 31 December 2003 (CZK million)

	2003	2002	Period from 1 September to 31 December 2001
Interest receivable and similar income	7,142	11,287	3,196
of which: interest income from debt securities	221	322	36
Interest payable and similar expense	(6,585)	(9,081)	(3,018)
of which: interest expense on debt securities	(1,773)	(1,681)	(372)
Income from shares and other interests	53	37	-
of which: a) income from participating interests	36	35	-
b) other income from shares and interests	17	2	-
Fee and commission income	462	152	15
Fee and commission expense	(64)	(78)	(5)
Gains or losses from financial transactions	(33,098)	(952)	(704)
Other operating income	1,024	2,681	126
Other operating expense	(2,649)	(2,994)	(33)
Administrative expense	(875)	(910)	(241)
of which: a) staff costs	(417)	(424)	(129)
of which: aa) wages and salaries	(311)	(311)	(92)
ab) social and health insurance	(106)	(113)	(37)
b) other administrative expenses	(458)	(486)	(112)
Depreciation, additions and utilisation of provisions for long-term tangible and intangible fixed assets	(79)	(125)	(36)
Release of provisions for loans and guarantees, income from receivables already written-off	11,609	9,487	9,267
Write-offs, additions and utilisation of provisions for loans and guarantees	(22,011)	(54,756)	(21,858)
Loss from transfer of participating interest with significant and controlling influence	(4,087)	(5,044)	(1,738)
Additions and utilisation of other specific provisions	30,976	(29,390)	(902)
Loss on ordinary activities	(18,182)	(79,686)	(15,931)
Extraordinary income	-	2,113	5
Extraordinary expenses	-	(1,861)	(196)
Profit or loss on extraordinary activities	-	252	(191)
Loss for the year	(18,182)	(79,434)	(16,122)

**Statement of Changes in Equity for the year ended 31 December 2003
(CZK million)**

	Share capital	Reserve fund and other funds from profit	Capital reserves	Revaluation reserve	Accumulated losses	Loss for the period	Total equity
At 1 September 2001	5,950	29,325	38,531	-	-	(41,526)	32,280
Transfer of the loss of the period 1 January - 31 August 2001 to accumulated losses	-	-	-	-	(41,526)	41,526	-
Drawings from Welfare fund	-	(4)	-	-	-	-	(4)
Loss for the period from 1 September to 31 December 2001	-	-	-	-	-	(16,122)	(16,122)
The claim for payments to cover loss of the period 1 September - 31 December 2001 - National Property Fund ("NPF"), State	-	-	15,918	-	-	-	15,918
At 31 December 2001	5,950	29,321	54,449	-	(41,526)	(16,122)	32,072
Transfer of the loss of the period 1 September - 31 December 2001 to accumulated losses	-	-	-	-	(16,122)	16,122	-
Covering 2001 loss from the Capital fund	-	-	(54,335)	-	54,335	-	-
Covering of the loss for the period 1 January - 31 August 2001 from the Reserve fund	-	(3,109)	-	-	3,109	-	-
Covering of the loss for the period 1 September - 31 December 2001 from the Reserve fund	-	(204)	-	-	204	-	-
Drawings from Welfare fund	-	(4)	-	-	-	-	(4)
Loss for the year 2002	-	-	-	-	-	(79,434)	(79,434)
The claim for payments to cover 2002 loss - NPF, State	-	-	76,413	-	-	-	76,413
At 31 December 2002	5,950	26,004	76,527	-	-	(79,434)	29,047
Transfer of the loss for the year 2002 to accumulated losses	-	-	-	-	(79,434)	79,434	-
Covering 2002 loss from the Capital fund	-	-	(76,413)	-	76,413	-	-
Covering 2002 loss from the Reserve fund	-	(3,021)	-	-	3,021	-	-
No consideration acquisition of building and land on Hybernska street	-	-	77	-	-	-	77
Revaluation differences on hedging derivatives	-	-	-	90	-	-	90
Drawings from Welfare fund	-	(7)	-	-	-	-	(7)
Loss for the year 2003	-	-	-	-	-	(18,182)	(18,182)
The claim for payments to cover 2003 loss - NPF, State	-	-	6,014	-	-	-	6,014

Balance as at 31 December 2003	5,950	22,976	6,205	90	-	(18,182)	17,039
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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 main activities of the Agency are: administration and realization of non performing receivables accepted and purchased, as per the government's decisions, from commercial banks and companies under difficult financial situations. Other activities of the Agency are revitalization and restructuring programmes and the funding and supporting of projects, which are determined by a decision of the government.

The Agency retains a number of original activities of the Bank, however, it does not retain the status of a bank. In compliance with Art 1 para 3 of Act No. 239/2001 on Česká konsolidační agentura, liabilities of the Agency will be fully guaranteed by the State.

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 the Ministry of Finance of the Czech Republic (hereinafter "MF ČR"). The Agency is not a bank in accordance with the Banking Act and is therefore not regulated by Česká národní banka (hereinafter "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 millions of Czech Crowns ("CZK million" or "CZK m") unless otherwise stated and are not consolidated. The Agency presents consolidated financial statements separately.

(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 net asset value for mutual funds;
- 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 to other portfolios;
- 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 the financial and operating policy decisions, but not control.

Investments in subsidiary and associated undertakings are measured at the lower of cost and "at equity" value on an 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, forward rate agreements, currency and interest rate swaps 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 or discounted cash-flow models. All derivatives are presented in other assets or in other liabilities when their fair value is positive or negative respectively.

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

The Agency designates prospectively certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided the following criteria are met:

- i) formal documentation of the general hedging strategy, hedged risk, hedging instrument, hedged item and their relationship is prepared before hedge accounting is applied;
- ii) the hedge documentation proves that it is expected to be highly effective in offsetting the risk in the hedged item at inception and throughout the reporting period;
- iii) the hedge is effective on an ongoing basis;
- iv) the hedged item is not a security classified as held for trading.

Changes in the fair value of derivatives that qualify as effective cash flow hedges are recorded in the hedging reserve in equity. Where a hedged forecasted transaction or firm commitment results in the

recognition of an asset or of a liability, the gains and losses previously deferred in the hedging reserve are transferred from the hedging reserve and form a part of the cost of the asset or liability. Otherwise, amounts deferred in the hedging reserve are transferred to the income statement and classified as income or expense in the periods during which the hedged item affects the income statement.

(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. The straight-line method is used as an approximation for cash-flows maturing within 12 months from the balance sheet date. 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) 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. All provisions are presented in liabilities.

Additions to provisions are recognised in the income statement, their utilisation is recognised together with expenses or losses, for which purpose they were created in the income statement. Release of provisions in case they are no longer necessary is recognised in income.

Provisions are set aside in the currency, in which the settlement is expected to be made, so that related exchange differences arising are also recognised in the same way as the provision.

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 ascribed in estimating allowances.

Additions to allowances are recognised in the income statement, their utilisation is recognised together with expenses and losses, connected with the decrease of assets, in the income statement. Release of allowances in case they are no longer necessary is recognised in the income.

Allowances for assets denominated in foreign currency are created in foreign currency. Foreign exchange differences are recognised in the same way as foreign exchange differences from asset revaluation, to which they relate.

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")¹, 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.

¹"The old block of loans" represents loans taken over by the Bank from commercial banks. The loans were granted by commercial banks prior to November 1989.

(n) Long-term tangible and intangible fixed assets

Long-term 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.

(o) Value added tax

The Agency is registered for value added tax ("VAT"). Long-term tangible and intangible fixed 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.

(p) Taxation

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

(q) 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.

(r) 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.

(s) 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.

(t) 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.

Since 1 January 2003, usage of allowances and provisions is shown as a reduction in expenses, not as income. The presentation of prior year comparatives was adjusted accordingly. These changes did not affect the income or equity of the Agency.

At 1 January 2002, significant changes in recognition, measurement and presentation of the financial position and results were made in accordance with the amendments to the Act on Accounting. These changes did not have any material impact on the equity of the Agency at 1 January 2002 or its income for year ended 31 December 2002.

3 CASH AND DEPOSITS WITH CENTRAL BANKS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Cash on hand	5	11	8
Current accounts with central banks	-	-	5
	5	11	13

4 DUE FROM BANKS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Current accounts with banks	25	63	81
Term deposits with other banks	2,325	6,577	24,691
Standard loans to banks	-	5,500	5,500
Receivables from REPO transactions	-	41,192	2,101
Other due from banks	-	406	-
Allowance (Note 12)	-	(406)	-
	2,350	53,332	32,373

5 DUE FROM CUSTOMERS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Standard loans to companies and individuals	5,391	23,202	28,691
Impaired loans to companies and individuals	115,310	168,104	131,392
Standard loans to housing co-operatives ¹⁾	9,440	10,424	11,501
Impaired loans to housing co-operatives ¹⁾	30	3	3
Standard loans to governmental entities	2,809	3,624	24,379
Impaired loans and other receivables to governmental entities	2,228	18	95
Standard loans to municipalities	2	3	6
Impaired loans to municipalities	273	264	342
Other due from clients	2	0	43
	135,485	205,642	196,452
Allowance for impaired loans (Note 12) ²⁾	(73,316)	(119,834)	(72,681)
	62,169	85,808	123,771

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 specific provision for loans of CZK 2,321 million as at 31 December 2003 (31 December 2002: CZK 5,593 million and 31 December 2001: CZK 10,039 million) in liabilities as required by Czech accounting regulations (Note 12).

A statutory reserve fund is used to cover expected losses of CZK 9,228 million (31 December 2002: CZK 21,396 million and 31 December 2001: CZK 24,417 million) from the old block of loans. In the period from 1 January 2003 to 31 December 2003 the losses of CZK 12,168 million from assigned and written off exposures from the old block of loans were covered by the reserve fund (in the period from 1 January to 31 December 2002: CZK 3,021 million, in the period from 1 September to 31 December 2001: CZK 204 million (Note 19)).

Based on the Government decision of 10 September 2003, the Agency paid an advance payment of CZK 2,200 million for purchase of real estate from the state organisation Správa železniční dopravní cesty. This transaction is based on the Agreement on future agreement concluded between the the Agency, Czech Republic (Ministry of Transport) and Správa železniční dopravní cesty. This advance payment is guaranteed by the State (Note 20) and therefore no allowances have been created by the Agency.

(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 2003	31 December 2002	31 December 2001
	CZK m	CZK m	CZK m
Standard	17,644	37,252	64,621
Watch	304	1,703	564
Substandard	21,489	4,879	1,542
Doubtful	3,070	8,686	14,685
Loss	92,978	153,122	115,040
	135,485	205,642	196,452

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

	31 December 2003	31 December 2002	31 December 2001
	CZK m	CZK m	CZK m
Cash	5	7	125
Securities	43	41,312	331
of which: under reverse repo	-	41,168	-
Land and buildings	7,019	13,140	11,639
Other fixed assets	294	197	2,072
	7,361	54,656	14,167

In addition to the above assets received as collateral, the Agency records guarantees received of CZK 24,382 million (31 December 2002: CZK 8,888 million; 31 December 2001: CZK 17,873 million).

(b) Loans to related parties

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Subsidiary undertakings:			
Loans to subsidiaries	22,840	23,166	37,757
Allowances for impaired loans (Note 12)	(4,522)	(63)	(2,329)
	18,318	(23,103)	35,428
Associated undertakings:			
Loans to associated parties	2,610	9,355	4,924
Allowances for impaired loans (Note 12)	(1,069)	(7,731)	(1,133)
	1,541	1,624	3,791
Other related parties:			
Board of Directors	-	-	0.5
Supervisory Board	-	-	-
Management	-	-	0.5
	-	-	1.0

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.

6 SYNDICATE LOANS

At 31 December 2003, 31 December 2002 and 31 December 2001 the Agency lent no syndicated loans.

7 SECURITIES

	Bonds and similar debt securities at 31 December			Shares, mutual share and other interest equity securities at 31 December		
	2003 CZK m	2002 CZK m	2001 CZK m	2003 CZK m	2002 CZK m	2001 CZK m
Trading	-	-	2,711	-	-	-
Available for sale	1,520	1,102	395	11,793	1,542	1,706
	1,520	1,102	3,106	11,793	1,542	1,706

(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 2003 and 2002.

At 31 December 2001

	Net cost CZK m	Market value CZK m
Main or auxiliary market of recognised stock exchanges	619	2,764
Free market of recognised stock exchanges	2,748	-
Accrued interest on bonds	417	-
	3,784	2,764
Allowances for unrealised losses (Note 12)	(1,073)	
	2,711	

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.

The Agency had no securities issued by subsidiaries and associated companies in its trading portfolio as at 31 December 2003, at 31 December 2002 and at 31 December 2001.

(b) Securities available-for-sale

Shares and similar equity securities

At 31 December 2003

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	166
Free market of recognised stock exchanges	-
Unquoted	11,627
	11,793

The 2003 increase is due mainly to the transfer of so called "offshore structures" to the Agency (Note 20).

At 31 December 2002

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	95
Free market of recognised stock exchanges	138
Unquoted	1,309
	1,542

At 31 December 2001

	Net cost CZK m	Market value CZK m
Main or auxiliary market of recognised stock exchanges	594	474
Free market of recognised stock exchanges	55	51
Unquoted	1,259	1,192
	1,908	1,717
Allowances for unrealised losses (Note 12)	(202)	
	1,706	

Bonds and similar debt securities

At 31 December 2003

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	-
Free market of recognised stock exchanges	1,011
Unquoted	509
	1,520

At 31 December 2002

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	-
Free market of recognised stock exchanges	1,004
Unquoted	98
	1,102

At 31 December 2001

	Net cost CZK m	Market value CZK m
Main or auxiliary market of recognised stock exchanges	395	392
Free market of recognised stock exchanges	47	6
Unquoted	537	-
	979	398
Allowances for unrealised losses (Note 12)	(584)	
	395	

(c) Securities held-to-maturity

Bonds and similar debt securities

The Agency had no securities held-to-maturity as at 31 December 2003 and 2002.

At 31 December 2001

	Amortised cost CZK'000	Market value CZK'000
Unquoted	1,002	-
Allowances for unrealised losses (Note 12)	(1,002)	
	-	

8 INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

(a) Investments in subsidiary undertakings

At 31 December 2003

Name, registered office	At cost	Nominal value	Share capital	Shareholding
	CZK m	CZK m	CZK m	%
PRISKO a.s., Praha	-	795	795	100.00
ADEX, a.s., Tachov	-	352	385	91.28
Konpo, s.r.o., Praha	-	-	-	100.00
Česká finanční, s.r.o., Praha	-	-	-	100.00
VSM ČR akciová společnost, v likvidaci, Praha	-	1	1	100.00
IPB REAL INVESTMENT, a.s., Praha	-	50	50	100.00
Autoklub Bohemia Assistance, a.s., Praha	112	83	120	69.00
CRF Praha, a.s. v likvidaci	-	434	434	100.00
KRÁLOVOPOLSKÁ, a.s., Brno	209	209	311	67.00
První východní, a.s., Praha	30	5	5	100.00
TCHECOMALT GROUP, a.s., Prostějov	-	399	400	99.93
TRUSTFIN, a.s., Praha	-	251	251	100.00
ZVI, a.s., Praha	-	228	228	100.00
ČKD PRAHA HOLDING, a.s. ¹⁾	3,867	3,867	8,145	47.47
UNIPLET Třebíč, a.s. ¹⁾	-	-	294	0.07
IMOB, a.s., Praha ¹⁾	-	-	2	11.36
BH CAPITAL, a.s., Prostějov	402	733	1,020	71.89
	4,620			
Allowances for diminution in value (Note 12)	(3,955)			
	665			

¹⁾ Companies are subsidiaries of the Agency through its managerial rights.

At 31 December 2002

Name, registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Shareholding %
PRISKO a.s., Praha	-	795	795	100.00
Revitalizační agentura, a.s., v likvidaci, Praha	270	270	270	100.00
Konpo, s.r.o., Praha	-	-	-	100.00
Česká finanční, s.r.o., Praha	-	-	-	100.00
VSM ČR akciová společnost, v likvidaci, Praha	-	-	1	50.00
IPB Real, a.s., Praha	1,115	1,000	1,000	100.00
SANAKON, s.r.o., Praha, v likvidaci	-	-	-	100.00
ČKD PRAHA HOLDING, a.s. ¹⁾	3,867	3,867	8,145	47.47
ŠKODA TS, a.s., Plzeň	118	118	186	63.44
	5,370			
Allowances for diminution in value (Note 12)	(4,807)			
	563			

1) ČKD PRAHA HOLDING, a.s. is a subsidiary company of the Agency through its managerial rights.

At 31 December 2001

Name, registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Shareholding %
PRISKO a.s., Praha	-	795	795	100.00
Revitalizační agentura, a.s., v likvidaci, Praha	270	270	270	100.00
Konpo, s.r.o., Praha	-	-	-	100.00
Česká finanční, s.r.o., Praha	-	13,834	13,834	100.00
VSM ČR akciová společnost, v likvidaci, Praha	1	1	1	50.00
Zetor, a.s., Brno	3,593	4	4	97.74
	3,864			
Allowances for diminution in value (Note 12)	(3,864)			
	-			

Summary financial information on subsidiary undertakings

At 31 December 2003 and for the year 2003

Name	Subsidiary financial data				
	Net book amount CZK m	Equity CZK m	Total assets CZK m	Revenues CZK m	Profit/(loss) before tax CZK m
PRISKO a.s. ¹⁾	-	1,224	1,225	50	43
ADEX, a.s. ²⁾	-	-	-	-	-
Konpo, s.r.o.	-	-	14,637	2,001	(2,775)
Česká finanční, s.r.o.	-	4,437	13,982	12,500	3,685
VSM ČR akciová společnost, v likvidaci ³⁾	-	-	-	-	-
IPB REAL INVESTMENT, a.s.	-	(490)	331	1,048	402
Autoklub Bohemia Assistance, a.s.	77	116	289	879	8
CRF Praha, a.s. v likvidaci ³⁾	-	-	-	-	-
KRÁLOVOPOLSKÁ, a.s.	24	519	731	1,748	2,324
První východní, a.s.	30	36	96	7	-
TCHECOMALT GROUP, a.s. ³⁾	-	-	-	-	-
TRUSTFIN, a.s.	-	(1,084)	370	183	(112)
ZVI, a.s.	-	(293)	366	101	(80)
ČKD PRAHA HOLDING, a.s.	132	267	305	252	69
UNIPLLET Třebíč, a.s.	-	176	380	361	(66)
IMOB, a.s.	-	39	41	239	226
BH CAPITAL, a.s.	402	958	965	1,895	46
	665				

Note: Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2003, 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 is being deleted from the Commercial register.

³⁾ The company's financial statements were not available.

At 31 December 2002 and for the year 2002

Name	Subsidiary financial data				
	Net book amount CZK m	Equity CZK m	Total assets CZK m	Revenues CZK m	Profit/(loss) before tax CZK m
PRISKO a.s. ¹⁾	-	1,181	1,202	50	8
Revitalizační agentura, a.s. v likvidaci	-	20	20	1	(1)
Konpo, s.r.o.	-	-	18,587	7,297	(5,267)
Česká finanční, s.r.o.	-	(1)	9,891	14,101	(15,042)
VSM ČR akciová společnost, v likvidaci	-	1	1	-	-
IPB REAL, a.s.	558	580	2,430	974	36
SANAKON, s.r.o. v likvidaci	-	-	-	-	-
ČKD PRAHA HOLDING, a.s.	-	200	504	7,301	97
ŠKODA TS, a.s.	5	255	1,055	1,589	33
	563				

Note: Data has been drawn from the companies' audited financial statements as at 31 December 2002.

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.

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

Name	Subsidiary financial data				
	Net book amount CZK m	Equity CZK m	Total assets CZK m	Revenues CZK m	Profit (loss) before tax CZK m
PRISKO a.s. ¹⁾	-	1,173	1,194	2,057	53
Revitalizační agentura, a.s., v likvidaci	-	26	36	8	(10)
Konpo, s.r.o.	-	-	23,783	6,041	(5,854)
Česká finanční, s.r.o.	-	12,204	38,821	6,359	(5,097)
VSM ČR akciová společnost v likvidaci	-	1	1	-	-
Zetor, a.s.	-	(2,238)	3,589	1,762	(631)
	-				

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 2003

Name, registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Shareholding %
České aerolinie, a.s., Praha	2,053	946	2,736	34.59
ARTA REAL, k.s., Praha	1,606	1,400	2,900	48.28
Výzkumný a zkušební letecký ústav, a.s., Praha	290	357	751	47.55
AERO Vodochody, a.s., Odolena Voda	1,602	781	2,692	29.01
BRNO INN, a.s.	24	62	240	25.83
KORADO, a.s., Česká Třebová	86	288	841	34.22
CZ CREDIT REAL, k.s., Praha	1,032	900	2,900	31.03
GALILEO REAL, a.s., Praha	1,032	900	2,900	31.03
INTEGRA, a.s., Praha	32	171	839	20.41
Lesní společnost Hradec Králové, a.s.	38	144	679	21.13
MÚZO, a.s., Praha	274	21	102	20.86
Jihočeské lesy České Budějovice, a.s., Nové Hrady	38	255	700	36.36
Jihočeské papírny, Větřní, a.s.	94	951	2,444	38.89
První česko-ruská banka, s.r.o., Moskva ¹⁾	233	161	2,916	5.52
VÁLCOVNY PLECHU, a.s., Frýdek-Místek	117	117	688	16.97
Investiční fond obchodu, cest. ruchu a služeb, a.s., Praha	261	237	595	39.84
Výzkumný ústav pivovarnický a sladovnický, a.s., Praha	8	23	69	32.93
	8,820			
Allowances for diminution in value (Note 12)	(4,520)			
	4,300			

1) První česko-ruská banka, s.r.o. is an associated company of the Agency through its managerial rights.

At 31 December 2002

Name, registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Shareholding %
a) shares:				
České aerolinie, a.s., Praha	2,053	946	2,736	34.59
Letov, a.s., Praha	566	566	1,799	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236	236	751	31.46
AERO Vodochody, a.s., Odolena Voda	1,602	781	2,692	29.00
ŠKODA HOLDING a.s., Praha	1,668	1,051	2,171	48.40
KORADO, a.s., Česká Třebová	86	288	841	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	41	462	926	49.92
KRÁLOVOPOLSKÁ, a.s., Brno	208	208	954	21.85
PVT, a.s., Praha	1,290	290	784	37.01
První česko-ruská banka, s.r.o., Moskva	228	163	335	48.66
b) contributions:				
Bankovní fond penzijního nadlepšení, Praha ¹⁾	-	-	25	1.96
	7,978			
Allowances for diminution in value (Note 12)	(3,567)			
	4,411			

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

At 31 December 2001

Name, registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Shareholding %
a) shares:				
České aerolinie, a.s., Praha	2,053	946	2,736	34.59
Letov, a.s., Praha	566	566	1,799	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236	236	751	31.46
AERO Vodochody, a.s., Odolena Voda	1,603	781	2,692	29.00
ŠKODA HOLDING a.s., Praha	1,667	1,050	2,171	48.38
KORADO, a.s., Česká Třebová	86	288	841	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	41	462	926	49.90
WALTER, a.s., Praha	628	1,453	3,164	45.91
b) contributions:				
SANAKON, s.r.o., Praha	-	-	-	49.00
Bankovní fond penzijního nadlepšení, Praha ¹⁾	-	-	25	1.96
	6,880			
Allowances for diminution in value (Note 12)	(2,992)			
	3,888			

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

9 LONG TERM INTANGIBLE AND TANGIBLE FIXED ASSETS

(a) Long term intangible fixed assets

	31 December 2001 CZK m	31 December 2002 CZK m	Additions CZK m	Disposals CZK m	31 December 2003 CZK m
Cost	280	275	13	-	288
Accumulated amortisation	(191)	(234)	(28)	-	(262)
Net book amount	89	41			26

Intangible assets consist of software.

(b) Long term operating tangible fixed assets

	31 December 2001 CZK m	31 December 2002 CZK m	Additions CZK m	Disposals CZK m	31 December 2003 CZK m
Cost					
Land	31	31	-	-	31
Buildings	686	687	-	-	687
Equipment	278	271	10	9	272
Other	10	10	-	-	10
	1,005	999	10	9	1,000
Accumulated depreciation					
Buildings	(128)	(152)	(24)	-	(176)
Equipment	(209)	(213)	(20)	9	(224)
Other	(7)	(6)	(1)	-	(7)
	(344)	(371)	(45)	9	(407)
Net book amount	661	628			593

(c) Long term non-operating fixed assets

	31 December 2001 CZK m	31 December 2002 CZK m	Additions CZK m	Disposals CZK m	31 December 2003 CZK m
Cost					
Land	103	50	19	1	68
Buildings	965	266	217	341	142
Equipment	6	6	-	-	6
Other	1	1	-	-	1
	1,075	323	236	342	217
Accumulated depreciation					
Buildings	(7)	(9)	(177)	174	(12)
Equipment	(6)	(7)	-	-	(7)
Other	-	-	-	-	-
	(13)	(16)	(177)	174	(19)
Net book amount	1,062	307			198

Non-operating tangible assets include tangible assets transferred from Československá obchodní banka, a.s. (hereinafter "ČSOB"), in accordance with the Agreement with ČSOB (Note 20).

The Agency did not hold assets under finance lease contracts as at 31 December 2003, at 31 December 2002 and at 31 December 2001.

Moveable fixed assets that were pledged to the Agency as collateral for granted loans, assets under charge as security over its liabilities or liabilities of third parties were not recognised as at 31 December 2003, at 31 December 2002 and at 31 December 2001.

10 OTHER ASSETS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Receivable from State due to loss of the Bank from 1999	-	-	12,089
Receivable from State due to loss of the Bank for the period from 1 January 2001 to 31 August 2001	-	4,734	35,684
Receivable from State due to loss of the Agency for the period from 1 September 2001 to 31 December 2001	-	13,873	16,122
Receivable from State due to loss of the Agency for the year 2002	76,264	76,264	-
Receivable from State due to loss of the Agency for the year 2003	5,224	-	-
Receivables from State due to loss - total	81,488	94,871	63,895
Receivable from NPF (subsidiaries - coverage of losses)	922	2,008	8,874
Receivable from NPF due to 2002 loss of the Agency	-	1	-
Receivable from ČF	4,838	-	-
Receivables from unsettled securities transactions	2,834	320	705
Operating advances granted	17	16	15
Clearing accounts for foreign currency operations	-	-	3
Settlement clearance accounts - debit balances	530	570	483
Advance for transfer of receivables from health insurance companies	2,062	-	-
Estimated receivables	12	17	15
Other receivables	9	352	2,049
Derivatives	182	480	-
Inventories	1	1	1
	92,895	98,636	76,040
Allowances for impairment (Note 12)	(2,062)	-	-
	90,833	98,636	76,040

The disclosed loss of the Agency for the year 2003, CZK 18,182 million will be covered by the Agency's reserve fund of CZK 12,168 million (Note 19), by MF ČR, CZK 5,224 million and by the NPF, CZK 790 million.

The disclosed loss of the Agency for the year 2002, CZK 79,434 million was partly covered by the Agency's reserve fund of CZK 3,021 million (Note 19) and by the NPF CZK 149 million. Management expects from negotiations it has held with State officials that the receivable from MF ČR of CZK 76,264 million should be settled by the proceeds from an issue of State bonds or be directly repaid by 2007.

The receivable from the State (MF ČR) due to the loss of the Bank/Agency incurred in 2001 was partly paid in 2002 and the rest was paid in 2003. The receivable from the NPF from previous years' losses incurred by subsidiaries was also paid in 2003.

Receivables from the State and the NPF for payment of losses do not bear interest and are not discounted to net present value, because it is not possible to determine their maturity.

11 PREPAYMENTS AND ACCRUED INCOME

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Prepayments	5	6	7
Accrued income	1	-	1
	6	6	8

12 ALLOWANCES, PROVISIONS AND WRITE OFFS

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

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Provisions			
Specific provisions for loans (Note 5)	2,321	5,593	10,039
Specific provisions for guarantees (Note 20)	778	1,993	4,363
Specific provision for "black" and "other" items transferred from ČSOB according to restructuring plan (Note 20)	20	124	29,264
Specific provision for purchase of receivables	-	-	294
Specific provision for offshore structures transferred from ČSOB (Note 20)	-	29,500	-
Specific provision for guarantee of repayment of Nová Hut', a.s. bonds	-	1,173	-
Specific provision for transfer of receivables from health insurance companies (Note 20)	884	-	-
	4,003	38,383	43,960
Allowances			
Impaired loans to banks (Note 4)	-	406	-
Impaired loans to customers (Note 5) ¹⁾	73,316	119,834	72,681
Trading securities (Note 7)	-	-	1,073
Securities available-for-sale (Note 7)	-	-	786
Securities held-to-maturity (Note 7)	-	-	1,002
Investments in subsidiaries and associates (Note 8)	8,475	8,374	6,856
Other assets (Note 10)	2,062	-	-
	83,853	128,614	82,398

¹⁾ Includes allowances for impaired loans provided to related parties (Note 5(b))

The movements in provisions can be analysed as follows:

	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	Provision for offshore structures ²⁾	Provisions for Nova Hut', a.s. bonds liabilities ³⁾	Provision for transfer of receivables from health insurance companies ⁴⁾	Total
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
31 December 2001	9,582	457	4,363	29,264	294	-	-	-	43,960
Creation	-	-	-	-	-	29,500	1,173	-	30,673
Release	(4,446)	-	(2,370)	(29,140)	(294)	-	-	-	(36,250)
31 December 2002	5,136	457	1,993	124	-	29,500	1,173	-	38,383
Creation	-	-	-	-	-	-	-	884	884
Release	(2,815)	(457)	(1,215)	(104)	-	(29,500)	(1,173)	-	(35,264)
31 December 2003	2,321	-	778	20	-	-	-	884	4,003

¹⁾ "Black" and "other" assets received in accordance with the Agreement with ČSOB (Note 20).

²⁾ Offshore structures received within realised put option in accordance with the Agreement with ČSOB (Note 20), were transferred to the Agency and recorded in the balance sheet as at 31 December 2003. Provisions created for these assets have been released and these assets are covered by allowances (Notes 5 and 8) or revalued to fair value (Note 7).

³⁾ Based on Government decision 587/02 the Agency guarantees repayment of liabilities related to Nová Hut', a.s. bonds. In 2003, the liability was settled. Provisions created for these liabilities were released.

⁴⁾ Based on Government decision 1 184/03 the Agency will receive receivables from health insurance companies (Note 20). Advance payment for the purchase of these assets is covered by allowances (Note 10), the rest of these receivables are covered by provision.

On 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with the 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.

In 2003 selected assets from ČS group were transferred to the Agency amounting to CZK 1,894 million (in 2002: CZK 4,423 million; in 2001: CZK 4,990 million) in accordance with the above agreement. The Agency has paid CZK 56 million (in 2002: CZK 50 million; in 2001: CZK 44 million) as motivation fees for this transfer. The Agency created allowances for the transferred assets amounting to CZK 304 million (in 2002: CZK 1,979 million; in 2001: CZK 3,645 million) which are included in allowances for impaired loans and released specific provisions for the same amount. Specific provisions for guarantees relating to other transfers expected from Česká spořitelna, a.s. amounted to CZK 778 million as at 31 December 2003 (as at 31 December 2002: CZK 1,993 million; as at 31 December 2001: CZK 4,363 million).

The movements in allowances can be analysed as follows:

	Impaired loans to banks CZK m	Impaired loans to customers CZK m	Trading securities CZK m	Available-for-sale securities CZK m	Securities held-to-maturity CZK m	Investments in subsidiaries and associates CZK m	Other assets CZK m
At 31 December 2001	-	72,681	1,073	786	1,002	6,856	-
Additions	406	85,573	-	-	-	6,021	-
Usage	-	(28,852)	-	-	(1,002)	(4,503)	-
Release	-	(9,485)	-	-	-	-	-
Write backs ¹⁾	-	(83)	(1,073)	(786)	-	-	-
At 31 December 2002	406	119,834	-	-	-	8,374	-
Additions	-	7,695	-	-	-	4,133	2,062
Usage	-	(42,639)	-	-	-	(4,032)	-
Release	(406)	(11,199)	-	-	-	-	-
Write backs ¹⁾	-	(375)	-	-	-	-	-
At 31 December 2003	-	73,316	-	-	-	8,475	2,062

¹⁾ The written back allowances for classified loans of CZK 375 million for the year 2003 (for the year 2002: CZK 83 million) represent the difference between nominal and purchase cost of loans, recorded as allowances when originated, in accordance with the existing methodology.

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:

	Gross impaired amounts receivable at 31 December 2003 CZK m	Quarterly average of gross impaired amounts receivable from 1 January to 31 December 2003 CZK m	Allowances at 31 December 2003 CZK m
Watch	304	725	14
Substandard	21,489	8,393	566
Doubtful	3,070	4,668	1,249
Loss	92,978	121,505	71,487
Total	117,841		73,316

Write-offs and recovery of amounts written off previously

	2003		2002		1 September -31 December 2001	
	Amounts written off CZK m	Recovery of amounts written off previously CZK m	Amounts written off CZK m	Recovery of amounts written off previously CZK m	Amounts written off CZK m	Recovery of amounts written off previously CZK m
State sector	224	-	2,615	-	184	-
Private clients	2,626	5	1,436	-	70	-
	2,850	5	4,051	-	254	-

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 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Due to central banks	9,674	10,688	11,652
Due to other banks	84,963	102,051	100,504
Loans received from REPO deals	-	-	2,100
	94,637	112,739	114,256

14 DUE TO CUSTOMERS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Amounts due to governmental entities	1,300	5,884	25,445
Amounts due to private customers	6,669	24,180	3,779
Other short-term payables to clients	114	250	96
	8,083	30,314	29,320

Deposits from related parties.

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Subsidiary undertakings	2,897	299	657
Associated undertakings	2	205	257
	2,899	504	914

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 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Bonds issued - medium and long term, including accrued interest	32,718	27,684	12,623
less: own bonds held	(200)	(200)	(202)
Own T-bills issued	4,977	-	-
Promissory notes and bills of exchange	6,075	5,828	1,442
	43,570	33,312	13,863

As at 31 December 2003, the Agency had outstanding short-term bonds issued (deposit bills) redeemable within one year of CZK 1,318 million (31 December 2002: CZK 1,305 million and at 31 December 2001: CZK 1,442 million) and T-bills issued redeemable within one year of CZK 4,977 million. The long-term and medium-term bonds issued comprise:

Issue	Notional amount CZK m	Maturity	Interest rate
2.	7,000	15 April 2004	10.875% p.a.
3.	5,000	17 March 2005	6-month PRIBOR + 0.125% p.a.
4.	5,000	10 June 2007	5.05% p.a.
5.	10,000	28 June 2005	6-month PRIBOR + 0.09% p.a.
6.	5,000	5 November 2010	4.00% p.a.
	32,000		

16 SUBORDINATED LIABILITIES

The Agency had no subordinated debt as at 31 December 2003, as at 31 December 2002 or as at 31 December 2001.

17 OTHER LIABILITIES

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Payable to NPF due to ČF profit	4,838	-	-
Payables to subsidiaries for the settlement of losses	922	2,008	8,874
Miscellaneous payables	191	178	189
Estimated payables	939	284	156
Derivative financial instruments	121	17	-
	7,011	2,487	9,219

The Agency records a receivable (liability) from the NPF and a liability (receivable) 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.

18 ACCRUALS AND DEFERRED INCOME

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Accruals	65	54	22
Deferred income	50	51	5
	115	105	27

19 EQUITY AND PROFIT DISTRIBUTION

Share capital

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Issued and paid	5,950	5,950	5,950

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 Agency has set aside, within the statutory reserve fund that forms part of the equity of the Agency, an amount of CZK 9,228 million (31 December 2002: CZK 21,396 million; 31 December 2001: CZK 24,417 million) to cover expected losses on certain specific loans and no allowances have been separately reflected for these expected losses. This reserve fund was contributed by the NPF. This interpretation was reconfirmed to the Agency by the Ministry of Finance on 27 October 2003. The Agency released an amount of CZK 12,168 million to cover

losses related to the old block of loans (in the year 2002: CZK 3,021 million, in the period from 1 September 2001 to 31 December 2001: CZK 204 million). The disclosed loss from the old block loans (Note 2(m)) for the period will be covered by the released part of the reserve fund.

Revaluation reserve

Fair value of the cash flow hedging instruments is deferred in the revaluation reserve in equity until the effects of the hedged item are recognised in income (Note 29(c)).

20 CONTINGENCIES AND COMMITMENTS

Potential assets and liabilities can be analysed as follows:

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Guarantees granted			
- On behalf of the clients	209	209	978
- On behalf of ČS group clients	628	3,334	13,070
- On behalf of Komerční banka, a.s. clients ¹⁾	5,862	6,812	20,000
Total	6,699	10,355	34,048
Specific provisions for guarantees (Note 12)	(778)	(1,993)	(4,363)
Net	5,921	8,362	29,685
Co-acceptances given	84	88	-
Loan commitments made			
- Revocable	-	13	259
- Irrevocable	356	539	5,036
	356	552	5,295
Commitments on the cession of assets			
- ČSOB "black" assets from IPB Restructuring Plan	20	124	17,847
- ČSOB "other" assets from IPB Restructuring Plan	-	-	11,654
- ČSOB offshore structures from IPB Restructuring Plan	-	57,500	-
- Health insurance companies' receivables ²⁾	2,946	-	-
- Specific provisions to ČSOB assets from IPB Restructuring Plan	(20)	(124)	(29,264)
- Specific provisions to ČSOB offshore structures from IPB Restructuring Plan	-	(29,500)	-
- Specific provisions to ceded receivables from health insurance companies ²⁾	(884)	-	-
	2,062	28,000	237
Guarantees received			
- From the State	18,015	1,225	2,686
- From NPF ¹⁾	12,028	14,007	34,776
- From other entities	208	468	411
	30,251	15,700	37,873
Irrevocable loan commitments accepted	29,466	132,882	133,786

¹⁾ As at 31 December 2003 the balance of CZK 5,862 million (as at 31 December 2002: CZK 6,812 million as at 31 December 2001: CZK 20,000 million) represents the Agency's guarantee for selected assets of Komerční banka, a.s. based on Government regulations.

²⁾ Potential losses from the transfer of receivables from health insurance companies are covered by specific provision of CZK 884 million (Note 12) and allowances of CZK 2,062 million (Note 10 and 12).

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 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. 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 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.

The offshore structure assets were transferred to the Agency in 2003 at a purchase price of CZK 57,407 million. In connection with the offshore structures transfer, the Agency revalued the assets to fair value of CZK 20,928 million, as at 31 December 2003 and released provisions of CZK 29,500 million, which were created, based on available information on the estimate of risk of losses, as at 31 December 2002.

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

Based on the Government decision 1 184/03, health insurance companies' receivables from clients in bankruptcy will be transferred to the Agency of nominal amount CZK 2,946 million. The Agency paid an advance payment of CZK 2,062 million for the purchase of the receivables during 2003. As at 31 December 2003 the advance payment was fully provided for. In addition a specific provision of CZK 884 million was created, to cover potential losses from the transfer of the receivables.

	31 December 2003 CZK m	31 December 2003 CZK m	31 December 2001 CZK m
Assets placed in custody			
Shares	1,225	2,825	-
Bonds	-	747	809
	1,225	3,572	809
Assets in safe			
Shares	83	98	-
Bonds	-	-	1,008
	83	98	1,008
Assets under custody			
Shares	-	-	-
Other	1,329	1,320	1,219
	1,329	1,320	1,219

Assets purchased under resale agreements (Reverse Repo transaction):

	31 December 2003 CZK m	31 December 2003 CZK m	31 December 2001 CZK m
Bonds	-	41,168	-

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

Assets sold under repurchased agreements (Repo transaction):

	31 December 2002 CZK'000	31 December 2001 CZK'000	1 September 2001 CZK'000
Bonds	-	-	2,100

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

21 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Interest on inter-bank transactions	706	1,744	368
Interest on loans to customers and state	6,215	9,221	2,792
Interest and discount on debt securities	221	322	36
	7,142	11,287	3,196

An estimated amount of CZK 1,852 million representing income on impaired loans was included in 2003 (for the year 2002: CZK 3,159 million; period from 1 September to 31 December 2001: CZK 2,900 million). Overdue penalty interest of CZK 730 million for classified loans as at 31 December 2003 (as at 31 December 2002: CZK 3,457 million; as at 31 December 2001: CZK 400 million) was not recorded in revenues. The penalty interest is legally enforceable and has not been forgiven.

22 INTEREST PAYABLE AND SIMILAR EXPENSE

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Interest on inter-bank transactions	4,441	6,509	2,478
Interest on deposits from customers and state	371	891	168
Interest and discount on debt securities issued	1,773	1,681	372
	6,585	9,081	3,018

23 INCOME FROM SHARES AND OTHER INTERESTS

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Income from associated undertakings	36	35	-
Income from shares and other interests	17	2	-
	53	37	-

24 GAINS LESS LOSSES FROM FINANCIAL TRANSACTIONS

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Realised gains less losses from securities transaction	(33,107)	(1,459)	22
Gains less losses from foreign currency transactions	(252)	16	38
Gains less losses from trading derivatives	156	473	-
Gains less losses from other transactions	105	18	18
Net allowances for trading and available-for-sale securities	-	-	(782)
	(33,098)	(952)	(704)

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 principal 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 57 million (for the year 2002: CZK 111 million, period from 1 September to 31 December 2001: CZK 13 million) 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 34 million (for the year 2002: CZK 273 million, period from 1 September to 31 December 2001: CZK 223 million) 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

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Rent and lease charges	6	7	3
Staff costs	417	424	129
Audit, tax and legal advisory services	121	132	39
Other administration expenses	331	347	70
	875	910	241

Staff costs can be analysed as follows:

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Salaries and emoluments	305	305	90
Social security and other social costs	106	113	37
Emoluments of Supervisory Board	6	6	2
	417	424	129

Emoluments of Board of Directors for their executive role of CZK 20 million (for year 2002: CZK 20 million, for the period from 1 September to 31 December 2001: CZK 5 million) are included in salaries and emoluments.

Staff statistics

	2003	2002	Period from 1 September to 31 December 2001
Average number of employees	538	568	582
Number of members of the Board of Directors	5	5	5
Number of members of the Supervisory Board	8	9	8

26 OTHER INCOME AND EXPENSES

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Other income			
Fee and commission income	462	152	15
Other operating income	1,024	2,681	126
Release of provisions for loans and guarantees, income from receivables already written-off	11,609	9,487	9,267
Usage of provisions for loans and guarantees	46,927	64,992	617
Usage of provisions to investments in subsidiary and associated undertakings	4,032	5,505	648
Usage of other provisions	30,976	110	16,302
Extraordinary income	-	2,113	5
	95,030	85,040	26,980
Other expenses			
Fee and commission expense	64	78	5
Other operating expense	2,655	3,000	35
Depreciation of tangible and intangible fixed assets	79	125	36
Addition to provisions for loans and guarantees, write-offs of receivables, expenses from ceded receivables	68,938	119,748	22,475
Loss from the transfer of investments in subsidiary and associated undertakings, addition to provisions to investments in subsidiary and associated undertakings	8,119	10,549	2,386
Addition of other provisions	-	29,500	17,204
Extraordinary expenses	-	1,861	196
	79,855	164,861	42,337

27 TAXATION

From 1 September 2001 the income of the Agency has been non-taxable, based on the Act on Česká konsolidační agentura.

28 EXTRAORDINARY ITEMS

In the year 2003, the Agency did not record any extraordinary items.

(a) Extraordinary expenses

	2002 CZK m
Release of allowances for securities - revaluation at fair value:	
Shares	170
Mutual funds shares	32
Bonds and other debt instruments	1,585
Bills of exchange	74
	1,861

(b) Extraordinary income

	2002 CZK m
Release of allowances for securities	
Shares	170
Mutual funds shares	32
Bonds and other debt instruments	1,585
Bills of exchange	74
Revaluation to fair value - above cost at 31 December 2001	
Shares	240
Mutual funds shares	10
Bonds and other debt instruments	2
Bills of exchange	-
	2,113

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 Agency'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 2003

Assets	Domestic CZK m	European union CZK m	Other Europe CZK m	Other CZK m	Total CZK m
Due from banks	2,327	20	1	2	2,350
Due from customers	62,058	-	111	-	62,169
Securities available-for-sale	13,313	-	-	-	13,313
Investments in subsidiaries & associates	4,965	-	-	-	4,965
Other assets	91,661	-	-	-	91,661
Total assets	174,324	20	112	2	174,458

At 31 December 2002

Assets	Domestic CZK m	European union CZK m	Other Europe CZK m	Other CZK m	Total CZK m
Due from banks	53,270	49	1	12	53,332
Due from customers	85,182	-	626	-	85,808
Securities available-for-sale	2,644	-	-	-	2,644
Investments in subsidiaries & associates	4,781	-	193	-	4,974
Other assets	99,629	-	-	-	99,629
Total assets	245,506	49	820	12	246,387

At 31 December 2001

Assets	Domestic CZK m	European union CZK m	Other Europe CZK m	Other CZK m	Total CZK m
Due from banks	32,300	69	4	5	32,378
Due from customers	123,437	18	316	-	123,771
Trading securities	2,711	-	-	-	2,711
Securities available-for-sale	2,101	-	-	-	2,101
Investments in subsidiaries & associates	3,888	-	-	-	3,888
Other assets	77,868	-	-	-	77,868
Total assets	242,305	87	320	5	242,717

Business segmentation

At 31 December 2003

Assets	Private subjects CZK m	State institutions CZK m	Municipalities CZK m	Other CZK m	Total CZK m
Due from banks	2,350	-	-	-	2,350
Due from customers	55,434	6,673	62	-	62,169
Securities available-for-sale	13,313	-	-	-	13,313
Investments in subsidiaries & associates	4,965	-	-	-	4,965
Other assets	7,192	84,469	-	-	91,661
Total assets	83,254	91,142	62	-	174,458

At 31 December 2002

Assets	Private subjects CZK m	State institutions CZK m	Municipalities CZK m	Other CZK m	Total CZK m
Due from banks	53,332	-	-	-	53,332
Due from customers	82,111	3,639	58	-	85,808
Securities available-for-sale	2,644	-	-	-	2,644
Investments in subsidiaries & associates	4,974	-	-	-	4,974
Other assets	2,749	96,880	-	-	99,629
Total assets	145,810	100,519	58	-	246,387

At 31 December 2001

Assets	Private subjects CZK m	State institutions CZK m	Municipalities CZK m	Other CZK m	Total CZK m
Due from banks	32,373	-	-	5	32,378
Due from customers	99,176	24,452	143	-	123,771
Trading securities	2,711	-	-	-	2,711
Securities available-for-sale	2,101	-	-	-	2,101
Investments in subsidiaries & associates	3,888	-	-	-	3,888
Other assets	5,099	72,769	-	5	77,868
Total assets	145,348	97,221	143	5	242,717

(c) Derivative financial instruments

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

	31 December 2003	31 December 2002
	CZK m	CZK m
Trading agreements	32	15
Cash flow hedging agreements	90	-
Financial derivatives with positive fair value	122	15

	31 December 2003	31 December 2002
	CZK m	CZK m
Trading agreements	2	17
Cash flow hedging agreements	-	-
Financial derivatives with negative fair value	2	17

	31 December 2003			31 December 2002		
	Nominal value	Fair value positive	Fair value negative	Nominal value	Fair value positive	Fair value negative
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
Trading agreements						
Foreign exchange derivatives						
Swaps	731	32	2	2,024	15	17
	731	32	2	2,024	15	17

The Agency had foreign exchange swaps in nominal value of CZK 781 million as at 31 December 2001.

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

Certain derivative transactions, while providing effective economic hedges under the Agency's risk management positions, do not qualify for hedge accounting under the specific Czech accounting rules and are therefore presented above as trading derivatives with fair value gains and losses recognised in the income statement.

	31 December 2003		
	Nominal value	Fair value positive	Fair value negative
	CZK m	CZK m	CZK m
Cash flow hedging agreements			
Interest rate derivatives			
Swaps	10,000	90	-
	10,000	90	-

The Agency did not record any cash flow hedging instruments at 31 December 2002 and 31 December 2001.

Fair value of the above qualifying cash flow hedging instruments is deferred in the revaluation reserve in equity until the effects of the hedged item are recognised in income.

The tables above provide a detailed breakdown of the nominal and the fair value of the Agency's derivative financial instruments outstanding at the year end. These instruments, comprising foreign exchange and interest rate derivatives allow the Agency to transfer, modify or reduce its foreign exchange and interest rate 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 614 million represents the fair value of sold shares of Český Mobil, a.s. The Agency exercised the put option in October 2003, settlement of the sale was in February 2004 (Note 31).

(d) Currency risk

The Agency takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates, especially EUR and USD. 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 swaps, 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 2003

Assets	CZK	EUR	USD	SKK	GBP	Other	Total
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
Due from banks	1,606	512	218	1	1	12	2,350
Due from customers	61,253	517	386	-	-	13	62,169
Debt securities	1,437	-	83	-	-	-	1,520
Other assets	108,413	-	6	-	-	-	108,419
	172,709	1,029	693	1	1	25	174,458
Liabilities and equity							
Due to banks	94,431	206	-	-	-	-	94,637
Due to customers	7,274	475	323	-	-	11	8,083
Liabilities from debt securities	43,570	-	-	-	-	-	43,570
Provisions	4,003	-	-	-	-	-	4,003
Other liabilities	7,126	-	-	-	-	-	7,126
Equity	17,039	-	-	-	-	-	17,039
	173,443	681	323	-	-	11	174,458
Balance sheet net	(734)	348	370	1	1	14	-
Off balance sheet net liabilities	-	(340)	(360)	-	-	-	(700)
Net on and off balance sheet position	(734)	8	10	1	1	14	(700)

As at 31 December 2002

Assets	CZK	EUR	USD	SKK	GBP	Other	Total
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
Due from banks	52,318	642	335	-	10	27	53,332
Due from customers	83,985	1,277	517	-	-	29	85,808
Debt securities	1,004	-	98	-	-	-	1,102
Other assets	106,144	1	-	-	-	-	106,145
	243,451	1,920	950	-	10	56	246,387
Liabilities and equity							
Due to banks	111,488	730	521	-	-	-	112,739
Due to customers	29,575	506	233	-	-	-	30,314
Liabilities from debt securities	33,312	-	-	-	-	-	33,312
Provisions	38,383	-	-	-	-	-	38,383
Other liabilities	2,569	-	-	-	-	23	2,592
Equity	29,047	-	-	-	-	-	29,047
	244,374	1,236	754	-	-	23	246,387
Balance sheet net	(923)	684	196	-	10	33	-
Off balance sheet net liabilities	-	(778)	(190)	-	-	-	(968)
Net on and off balance sheet position	(923)	(94)	6	-	10	33	(968)

As at 31 December 2001

Assets	CZK	EUR	USD	SKK	GBP	Other	Total
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
Due from banks	12,709	19,259	394	-	3	13	32,378
Due from customers	122,888	273	602	-	-	8	123,771
Debt securities	3,106	-	-	-	-	-	3,106
Other assets	83,462	-	-	-	-	-	83,462
	222,165	19,532	996	-	3	21	242,717
Liabilities and equity							
Due to banks	112,982	535	739	-	-	-	114,256
Due to customers	9,907	19,202	211	-	-	-	29,320
Liabilities from debt securities	13,863	-	-	-	-	-	13,863
Provisions	43,960	-	-	-	-	-	43,960
Other liabilities	9,213	25	-	-	-	8	9,246
Equity	32,072	-	-	-	-	-	32,072
	221,997	19,762	950	-	-	8	242,717
Net on and off balance sheet position	168	(230)	46	-	3	13	-

(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 2003

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Non-interest bearing CZK m	Total CZK m
Due from banks	2,350	-	-	-	-	2,350
Due from customers	17,628	12,926	14,818	1,568	15,229	62,169
Debt securities	1,094	-	426	-	-	1,520
Other assets	11	-	-	-	108,408	108,419
	21,083	12,926	15,244	1,568	123,637	174,458
Liabilities and equity						
Due to banks	78,555	12,029	4,053	-	-	94,637
Due to customers	7,597	464	22	-	-	8,083
Liabilities from debt securities	10,173	28,681	4,716	-	-	43,570
Provisions	-	-	-	-	4,003	4,003
Other liabilities	1,594	4,838	694	-	-	7,126
Equity	-	-	-	-	17,039	17,039
	97,919	46,012	9,485	-	21,042	174,458

At 31 December 2002

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Non-interest bearing CZK m	Total CZK m
Due from banks	47,428	59	345	5,500	-	53,332
Due from customers	506	12,878	60,484	3,900	8,040	85,808
Debt securities	-	252	186	109	555	1,102
Other assets	3,278	-	-	-	102,867	106,145
	51,212	13,189	61,015	9,509	111,462	246,387
Liabilities and equity						
Due to banks	5,044	15,885	72,296	19,514	-	112,739
Due to customers	29,779	534	-	-	1	30,314
Liabilities from debt securities	5,572	10,704	15,661	1,375	-	33,312
Provisions	-	-	-	-	38,383	38,383
Other liabilities	2,196	387	-	-	9	2,592
Equity	-	-	-	-	29,047	29,047
	42,591	27,510	87,957	20,889	67,440	246,387

At 31 December 2001

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Non-interest bearing CZK m	Total CZK m
Due from banks	26,878	-	-	5,500	-	32,378
Due from customers	50,461	41,963	27,933	991	2,423	123,771
Debt securities	2,550	556	-	-	-	3,106
Other assets	12,163	-	-	-	71,299	83,462
	92,052	42,519	27,933	6,491	73,722	242,717
Liabilities and equity						
Due to banks	11,848	21,926	66,286	14,151	45	114,256
Due to customers	18,939	7,058	3,080	-	243	29,320
Liabilities from debt securities	5,787	632	7,000	-	444	13,863
Provisions	-	-	-	-	43,960	43,960
Other liabilities	5,906	741	-	3	2,596	9,246
Equity	-	-	-	-	32,072	32,072
	42,480	30,357	76,366	14,154	79,360	242,717

(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 2003

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	2,350	-	-	-	-	2,350
Due from customers	6,111	12,554	22,551	2,486	18,467	62,169
Debt securities	1,094	-	426	-	-	1,520
Other assets	11	-	-	-	108,408	108,419
	9,566	12,554	22,977	2,486	126,875	174,458
Liabilities and equity						
Due to banks	9,201	41,895	38,541	5,000	-	94,637
Due to customers	7,213	829	41	-	-	8,083
Liabilities from debt securities	5,371	8,704	24,495	5,000	-	43,570
Provisions	-	-	-	-	4,003	4,003
Other liabilities	1,594	4,838	694	-	-	7,126
Equity	-	-	-	-	17,039	17,039
	23,379	56,266	63,771	10,000	21,042	174,458

At 31 December 2002

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	47,832	-	-	5,500	-	53,332
Due from customers	6,649	5,548	13,888	3,773	55,950	85,808
Debt securities	-	4	-	1,098	-	1,102
Other assets	3,278	-	-	-	102,867	106,145
	57,759	5,552	13,888	10,371	158,817	246,387
Liabilities and equity						
Due to banks	5,044	14,542	67,619	25,534	-	112,739
Due to customers	29,780	533	-	-	1	30,314
Liabilities from debt securities	588	716	30,567	1,441	-	33,312
Provisions	-	-	-	-	38,383	38,383
Other liabilities	2,196	387	-	-	9	2,592
Equity	-	-	-	-	29,047	29,047
	37,608	16,178	98,186	26,975	67,440	246,387

At 31 December 2001

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	26,878	-	-	5,500	-	32,378
Due from customers	14,473	12,065	25,817	8,097	63,319	123,771
Debt securities	2,112	49	945	-	-	3,106
Other assets	12,164	-	-	-	71,298	83,462
	55,627	12,114	26,762	13,597	134,617	242,717
Liabilities and equity						
Due to banks	11,848	19,687	55,837	26,884	-	114,256
Due to customers	23,793	5,527	-	-	-	29,320
Liabilities from debt securities	806	2,749	10,308	-	-	13,863
Provisions	-	-	-	-	43,960	43,960
Other liabilities	5,907	741	-	2	2,596	9,246
Equity	-	-	-	-	32,072	32,072
	42,354	28,704	66,145	26,886	78,628	242,717

30 TOTAL DIRECT EXPOSURE TO STATE AND NPF

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Guarantees from State (Note 20)	18,015	1,225	2,686
Receivable from State due to repayment of losses (Note 10)	81,488	94,871	63,896
Total exposure to State	99,503	96,096	66,582
Guarantees issued by NPF (note 20) ¹⁾	12,028	14,007	34,776
Receivable from NPF due to repayment of losses of the subsidiaries (note 10)	922	2,008	8,874
Loan granted to NPF	7	7	22,217
Receivable from NPF due to 2002 loss of the Agency	-	1	-
Total exposure to NPF	12,957	16,023	65,867

¹⁾ As at 31 December 2003 guarantees issued by NPF include CZK 5,862 million to cover the Agency's potential losses from asserted guarantee rights relating to selected assets of Komerční banka, a.s. (as at 31 December 2002: CZK 6,812 million and as at 31 December 2001: CZK 20,000 million).

31 SUBSEQUENT EVENTS

(a) Return of receivables back to the Agency

As at 17 February 2004, the Agency signed contracts with AB-CREDIT, a.s. relating to the return of previously transferred receivables. These contracts relate to the return of 11 receivables of a nominal value of CZK 1,002 million, which were sold in the block of receivables ČKA 05. These receivables are fully provided for. There was not a significant net profit or loss realised from this transaction.

(b) Sale of Český Mobil, a.s.

As at 8 October 2003, the Agency sold shares of Český Mobil, a.s. to Telesystem International Wireless Corporation N.V. by exercising a put option. The settlement date was on 2 February 2004. There was not a significant net profit or loss realised from this settlement.

(c) Transfer of securities to the Agency

After the balance sheet date, the Agency acquired several titles of securities in lieu of cash settlement of a receivable based on a redemption agreement. This agreement relates to the transfer of chosen items from offshore structures which is in line with the Agreement with ČSOB (Note 20). There was not a significant net profit or loss realised from these transactions.

(d) Early settlement of bill of exchange

The Agency is preparing for the settlement in lieu of cash settlement of a bill of exchange of Sortos Holding, B.V., held by the Agency, of nominal value CZK 2 billion. The Agency acquired the bill of exchange within the transfer of chosen items from offshore structures in line with the Agreement with ČSOB (Note 20). The management of the Agency does not expect a significant net profit or loss realised from this transaction.

(e) Acquisition of majority share in the company Explosia, a.s.

As at 29 January 2004, the Agency acquired a 38.54 % share in Explosia, a.s. Based on a government decision, the Agency should acquire additional shares in Explosia, a.s. during the year 2004 and the Agency should subsequently gain 100.00 % in the company as a result. The management of the Agency does not expect a significant net profit or loss realised from this transaction.

(f) Realised sales of receivables

The Agency has realised several sales of receivables after the year end 2003. There was not a significant net profit or loss realised from these sales.

(g) Planned sales of receivables

The Agency plans to realise several sales of receivables during the year 2004. 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:

Date	Signature of the statutory representative
31 March 2004	Zdeněk Čáp, Ph.D. Ing. Jiří Jurán, MBA

REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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 2003, 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.

The accompanying consolidated 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 consolidated financial statements are not designed for those who are not informed about Czech accounting principles, procedures and practices.

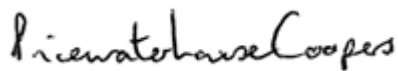
In our opinion the accompanying consolidated financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Group as at 31 December 2003, and the results of its operations and its changes in equity for the year 2003 in accordance with the Act on 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 9 billion to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses. This interpretation was reconfirmed to Česká konsolidační agentura by the Ministry of Finance on 27 October 2003.

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 2003, 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.

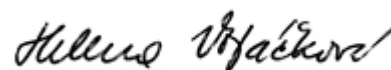
30 April 2004



PricewaterhouseCoopers Audit, s.r.o.
represented by



Paul Cunningham
Partner



Helena Vojáčková
Auditor, Licence No. 1910

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003 (CZK million)

Assets:	31 December 2003	31 December 2002	31 December 2001
Cash and deposits with central banks	7	12	13
Due from banks	8,194	53,806	32,595
of which: a) repayable on demand	430	524	303
b) other receivables	7,764	53,282	32,292
Due from customers	56,954	81,076	112,446
of which: a) repayable on demand	-	26	50
b) other receivables	56,954	81,050	112,396
Debt securities	1,520	1,102	3,106
of which: issued by other entities	1,520	1,102	3,106
Shares, mutual shares and other interests	11,955	2,193	1,984
Participation reflected under the equity method	986	2,746	-
Unconsolidated equity investments	3,791	2,156	6,151
Long-term intangible fixed assets	50	69	98
Long-term tangible fixed assets	2,679	2,641	2,124
of which: a) land and buildings for operating activities	1,847	1,824	1,595
b) other	832	817	529
Other assets	93,144	104,061	86,868
Prepayments and accrued income	9	9	22
Total assets	179,289	249,871	245,407

Liabilities:	31 December 2003	31 December 2002	31 December 2001
Due to banks	100,246	118,890	128,005
of which: other payables	100,246	118,890	128,005
Due to customers	5,369	30,136	28,699
of which: a) repayable on demand	3,179	25,141	1,581
b) other payables	2,190	4,995	27,118
Liabilities from debt securities	42,359	32,123	12,701
of which: issued debt securities	42,359	32,123	12,701
Other liabilities	6,634	1,014	399
Accruals and deferred income	137	108	12
Provisions	4,006	38,385	43,960
of which: a) provisions for taxes	3	-	-
b) other provisions	4,003	38,385	43,960
Share capital (without minority interest)	5,950	5,950	5,950
of which: share capital paid up	5,950	5,950	5,950
Capital reserves (without minority interest)	6,316	76,637	54,528
Reserve funds and revenue reserves (without minority interest)	26,663	32,054	38,789
of which: a) statutory reserve funds and risk funds	26,562	32,616	38,767
b) other reserve funds	83	(581)	-
c) other revenue reserves	18	19	22
Revaluation reserve	90	-	-
of which: revaluation differences on hedging derivatives	90	-	-
Accumulated losses from previous periods (without minority interest)	(1,480)	(121)	(48,480)
Loss for the accounting period (without minority interest)	(17,929)	(86,666)	(19,156)
of which: a) loss for the accounting period without minority interest on loss from equity method consolidation	(18,001)	(86,442)	-
b) share on profit/(loss) from equity method consolidation	72	(224)	-
Minority equity	928	1,361	-
of which: a) minority share capital	897	898	-
b) minority capital funds	27	27	-
c) minority funds from profit including retained earnings/(accumulated losses)	436	(115)	-
d) minority profit/(loss) for the accounting period	(432)	551	-
Total liabilities	179,289	249,871	245,407

OFF-BALANCE SHEET AS AT 31 DECEMBER 2003 (CZK million)

Assets:	31 December 2003	31 December 2002	31 December 2001
Commitments and guarantees given	8,846	10,995	39,343
a) commitments	356	552	5,295
b) guarantees and collaterals	8,406	10,355	34,048
c) guarantees from bills of exchange	84	88	-
Collaterals given	1,654	-	-
Receivables from spot transactions with currency instruments	21	346	43
Receivables from term instruments	11,345	2,035	781
a) currency instruments	731	2,035	76
b) equity instruments	614	-	705
c) interest instruments	10,000	-	-
Receivables from option instruments with equity instruments	-	464	-
Receivables written-off	10,618	9,380	4,228
Securities in custody	1,308	3,670	1,817
Total off-balance sheet assets	33,792	26,890	46,212

Liabilities:	31 December 2003	31 December 2002	31 December 2001
Commitments and guarantees received	80,907	155,082	158,273
a) commitments	29,466	132,882	133,786
b) guarantees and collaterals	51,438	22,197	24,370
c) guarantees from bills of exchange	3	3	117
Collaterals received and pledges	7,361	54,656	14,167
a) real estate pledges	7,019	13,140	11,639
b) cash pledges	5	7	125
c) securities pledges	43	41,312	331
d) other	294	197	2,072
Payables from spot transactions with currency instruments	22	345	43
Payables from term instruments	11,313	2,036	778
a) currency instruments	699	2,036	73
b) equity instruments	614	-	705
c) interest instruments	10,000	-	-
Payables from option instruments with equity instruments	-	464	-
Assets under custody	1,329	1,320	1,219
Total off-balance sheet liabilities	100,932	213,903	174,480

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003 (CZK million)

	2003	2002	Period from 1 September to 31 December 2001
Interest receivable and similar income	7,191	12,274	3,755
of which: interest income from debt securities	221	322	36
Interest payable and similar expense	(6,694)	(9,568)	(3,256)
of which: interest expense on debt securities	(1,743)	(1,681)	(371)
Income from shares and other interests	53	37	-
of which: a) unconsolidated income from participating interests	36	35	-
b) other income from shares and interests	17	2	-
Fee and commission income	462	152	15
Fee and commission expense	(64)	(86)	(5)
Gains less losses from financial transactions	(33,172)	(1,025)	(730)
Other operating income	8,897	7,393	1,961
of which: negative goodwill	-	79	-
Other operating expense	(4,238)	(5,507)	(3,427)
of which: positive goodwill	(1)	(580)	-
Administrative expense	(1,980)	(2,016)	(375)
of which: a) staff costs	(917)	(954)	(204)
of which: aa) wages and salaries	(682)	(699)	(148)
ab) social and health insurance	(235)	(255)	(56)
b) other administrative expenses	(1,063)	(1,062)	(171)
Depreciation, additions and utilisation of provisions for long-term tangible and intangible fixed assets	(222)	(396)	(42)
Release of provisions for loans and guarantees, income from receivables already written-off	17,132	22,018	9,681
Write-offs, additions and utilisation of provisions for loans and guarantees	(31,945)	(77,309)	(23,906)
Loss from transfer of participating interest with significant and controlling influence	(4,829)	(4,037)	(1,737)
Additions and utilisation of other specific provisions	30,978	(29 353)	(902)
Extraordinary income	-	3 502	9
Extraordinary expenses	-	(1 970)	(197)
Income tax	(2)	-	-
Share on gains/(losses) from equity method consolidation	72	(224)	-
Minority profit/(loss) for the year	432	(551)	-
Loss for the year without minority interest	(17,929)	(86,666)	(19,156)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003 (CZK million)

	Share capital	Reserve funds and other funds from profit	Capital funds	Revaluation reserve	Accumulated losses	Total equity
At 1 September 2001	5,950	35,733	38,610	-	(48,480)	31,813
Contribution to the Reserve fund - National Property Fund (hereafter "NPF"), Česká národní banka (hereafter "ČNB")	-	4,894	-	-	-	4,894
Use of the Reserve fund	-	(1,837)	-	-	-	(1,837)
Covering the loss of the period from 1 January to 31 August 2001 from the Capital fund	-	-	(38,418)	-	-	(38,418)
Drawings from Welfare fund	-	(1)	-	-	-	(1)
Loss for the period from 1 September to 31 December 2001	-	-	-	-	(19,156)	(19,156)
Claim for payments to cover 2001 loss - NPF, State	-	-	54,336	-	-	54,336
Balance as at 31 December 2001	5,950	38,789	54,528	-	(67,636)	31,631
Effect of change of consolidation scope for the Group	-	(576)	32	-	(1,083)	(1,627)
Covering 2001 loss from the Capital fund	-	-	(54,336)	-	54,336	-
Covering 2001 loss from the Reserve fund	-	(14,265)	-	-	14,265	-
No consideration acquisition of securities	-	-	1	-	-	1
Contribution to the Reserve fund - NPF, ČNB	-	8,109	-	-	(3)	8,106
Drawings from Welfare fund	-	(3)	-	-	-	(3)
Loss for the year 2002	-	-	-	-	(86,666)	(86,666)
Claim for payments to cover 2002 loss - State, NPF	-	-	76,412	-	-	76,412
Balance as at 31 December 2002	5,950	32,054	76,637	-	(86,787)	27,854
Effect of change of consolidation scope for the Group	-	888	-	-	(888)	-
Covering 2002 loss from the Capital fund	-	-	(76,412)	-	76,412	-
Covering 2002 loss from the Reserve fund	-	(9,566)	-	-	9,566	-
No consideration acquisition of building and land in Hybernská street	-	-	77	-	-	77
Contribution to the Reserve fund - NPF, ČNB	-	(217)	-	-	217	-
Revaluation differences on hedging derivatives	-	-	-	90	-	90
Drawings from Welfare fund	-	(7)	-	-	-	(7)
Loss for the year 2003	-	-	-	-	(17,929)	(17,929)
Claim for payments to cover 2003 loss - State, NPF	-	2,754	6,014	-	-	8,768
Claim for payments to cover 2003 loss - ČNB	-	757	-	-	-	757
Balance as at 31 December 2003	5,950	26,663	6,316	90	(19,409)	19,610

Supplement to Financial Statement

1 GENERAL INFORMATION

The ČKA Group (hereafter “the Group”) consists of five companies and employs 1,871 people. The parent company of the Group is Česká konsolidační agentura (hereafter “the Agency” or “ČKA”). The fully consolidated companies are Česká finanční, s.r.o. (hereafter “Česká finanční” or “ČF”), Konpo, s.r.o. (hereafter “Konpo”), PRISKO a.s. (hereafter “PRISKO”) and Spolek pro chemickou a hutní výrobu, akciová společnost (hereafter “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 main activities of the Agency are administration and realization of non performing receivables accepted and purchased, as per the government’s decisions, from commercial banks and companies under difficult financial situations. Other activities of the Agency are revitalization and restructuring programmes and the funding and supporting of projects, which are determined by a decision of the government.

The Agency retains a number of original activities of the Bank, however, it does not retain the status of a bank. In compliance with Art 1 para 3 of Act No. 239/2001 on Česká konsolidační agentura, liabilities of the Agency will be fully guaranteed by the State.

(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.

ČF’s core activity is the administration of assets (i.e. loan receivables, securities and equity interests) taken over by ČF 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 ČNB, primarily in connection with the mergers of smaller banks (hereinafter referred to as “the Consolidation Programme”).

Stabilisation Programme

Within the scope of the Stabilisation Programme ČF 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.

The Programme is funded by the Agency, the legal successor of the Bank. Final coverage of losses from the Stabilisation Programme are ensured by NPF in accordance with the agreements signed by the Česká Finanční and the Bank on 15 February 2001 (“Agreement on settlement of expenses and coverage of losses relating to realization of programme aiming for fortification of bank sector”). Losses were settled quarterly. Since 2003 there is no need for advances to be paid for the reasons in Note 5(a).

Consolidation Programme

The Consolidation Programme is financed by the ČNB. The losses generated within this Programme exceeding ČF’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 Programme”).

(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 core activity is the administration of assets (i.e. loan receivables, securities and equity interests) taken over by Komerční banka, a.s. (hereafter “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 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 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 applicable accounting rules set by the Ministry of Finance of the Czech republic (“MF ČR”). 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 to comply with 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 2003 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 because of the reasons listed below.

The amounts are rounded to millions of Czech Crowns (“CZK million” or “CZK m”) unless stated otherwise.

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 2003 for the following reasons:

- Businesses in bankruptcy proceedings or in liquidation: 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, H-SYSTEM a.s., 1. českoamerická realitní společnost, a.s. in liquidation, ČKD PRAHA HOLDING, a.s., CRF Praha a.s. in liquidation, TCHECOMALT GROUP, a.s., ADEX, a.s., Ostalak, a.s.
- Companies below minimum statutory limit for consolidation: TRUSTFIN, a.s., První východní a.s., IPB REAL INVESTMENT, a.s., BH CAPITAL, a.s., Autoklub Bohemia Assistance, a.s., ARTA REAL, k.s., Jihočeské papírny, a.s., Větrní, Jihočeské lesy České Budějovice, a.s., Výzkumný ústav pivovarský a sladařský, a.s., VZLÚ, a.s., CZ CREDIT REAL, k.s., GALILEO REAL, k.s., BRNO INN, a.s., Lesní společnost Hradec Králové, a.s., MUZO, a.s., INTEGRA, a.s., H-SYSTÉM LUXUS a.s., VÁLCOVNY PLECHU, a.s., ZVI, a.s., UNIPLET Třebíč, a.s., IMOB, a.s., Investiční fond obchodu, cestovního ruchu a služeb, a.s., COLORLAK, a.s., Synpo, a.s., Epispol, a.s., Spolchemie, a.s.

Subsidiary companies included in the Group consolidation are fully consolidated within the rules defined for banks and other financial institutions. 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 within the rules defined for banks and other financial transactions.

(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 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 net asset value for mutual funds;
- 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 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 to other portfolios;
- 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 is an enterprise in which the Group, directly or indirectly, has 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. Certain companies have not previously been consolidated and are still not consolidated, since they are in bankruptcy proceedings, in liquidation or immaterial from the Group prospective (Note 2 (a)).

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

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 the 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 for any impairment arising are disclosed.

(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, forward rate agreements, currency and interest rate swaps 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 or discounted cash-flow models. All derivatives are presented in other assets or in other liabilities when their fair value is positive or negative respectively.

Derivative financial instruments embedded in contracts with utility and other suppliers are not re-measured to fair value.

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

The Group designates prospectively certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided the following criteria are met:

- (i) formal documentation of the general hedging strategy, hedged risk, hedging instrument, hedged item and their relationship is prepared before hedge accounting is applied;
- (ii) the hedge documentation proves that it is expected to be highly effective in offsetting the risk in the hedged item at inception and throughout the reporting period;
- (iii) the hedge is effective on an ongoing basis;
- (iv) the hedged item is not a security classified as held for trading.

Changes in the fair value of derivatives that qualify as effective cash flow hedges are recorded in the hedging reserve in equity. Where a hedged forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in the hedging reserve are transferred from the hedging reserve and form a part of the cost of the asset or liability. Otherwise, amounts deferred in the hedging reserve are transferred to the income statement and classified as income or expense in the periods during which the hedged item affects the income statement.

(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. The straight-line method is used as an approximation for cash-flows maturing within 12 months from the balance sheet date. 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) Revenue recognition for goods and services

Sales of goods are recognised upon delivery of products and customer acceptance and recorded net of discounts and Value Added Tax.

Revenues from rendering of services are recognised if it is probable that the economic benefits associated with the transaction will flow to the Group and the revenues and costs can be measured reliably.

(m) Penalty interest

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

(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. All provisions are presented in liabilities.

Additions to provisions are recognised in the income statement, their utilisation is recognised together with expenses or losses, for which purpose they were created in the income statement. Release of provisions in case they are no longer necessary is recognised in the income.

Provisions are set aside in the currency, in which the settlement is expected to be made, so that related exchange differences arising are also recognised in the same way as provision.

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 or guarantee arising from the agreements if the Group has the intention to exercise the guarantee in the future. 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 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 are taken into consideration as disclosed (Note 20).

Additions to allowances are recognised in the income statement, their utilisation is recognised together with expenses and losses, connected with the decrease of assets, at profit and loss statement. Release of allowances in case they are no longer necessary is recognised in the income.

Allowances for assets denominated in foreign currency are created in foreign currency. Foreign exchange differences are recognised in the same way as foreign exchange differences from asset revaluation, to which they relate.

(o) Long-term tangible and intangible fixed assets

Long-term 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, deferred and current taxes are not recognised by the Agency.

(q) Deferred taxation

Deferred tax liability of the Group 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. Deferred tax asset is 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 on other Group companies where relevant.

(r) Pensions and other social expenses

The Group's pension plans are voluntary and the Group 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 (hereafter "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:

- 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 least 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.

Significant transactions, balances and methods for the measurement of related party transactions are set out in notes 5 and 15.

(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.

(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.

Since 1 January 2003, usage of allowances and provisions is shown as a reduction in expenses, not as income. The presentation of prior year comparatives was adjusted accordingly. These changes did not affect the income or equity of the Group.

At 1 January 2002, significant changes in recognition, measurement and presentation of the financial position and results were made in accordance with the amendments to the Act on Accounting. These changes did not have any material impact on the equity of the Group at 1 January 2002 or its income for year ended 31 December 2002.

3 CASH AND DEPOSITS WITH CENTRAL BANKS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Cash on hand	7	12	8
Current accounts with central banks	-	-	5
	7	12	13

4 DUE FROM BANKS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Current accounts with banks	430	524	303
Term deposits with banks	2,339	6,591	24,691
Standard loans to banks	-	5,500	5,500
Receivables from REPO transactions	-	41,191	2,101
Other due from banks	5,425	406	-
	8,194	54,212	32,595
Allowance for impairment (Note 13)	-	(406)	-
	8,194	53,806	32,595

5 DUE FROM CUSTOMERS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Standard loans to companies and individuals	5,450	4,769	5,054
Impaired loans to companies and individuals	96,896	162,338	136,487
Standard loans to housing co-operatives ¹⁾	9,440	10,423	11,501
Impaired loans to housing co-operatives ¹⁾	30	3	3
Loans to governmental entities	2,809	3,624	24,379
Impaired loans to governmental entities	2,228	19	95
Standard loans to municipalities	2	3	6
Impaired loans to municipalities	273	265	342
Other receivables from customers	23,185	27,282	43
Loans within the Consolidation and Stabilisation Programmes	11,950	15,361	30,415
	152,263	224,087	208,325
Allowance for impaired loans (Note 13) ²⁾	(95,309)	(143,011)	(95,879)
	56,954	81,076	112,446

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 allowances for impaired loans, the Group has reflected a specific provision for loans of CZK 2,321 million as at 31 December 2003 (31 December 2002: CZK 5,593 million and 31 December 2001: CZK 10,039 million) in liabilities as required by Czech accounting regulations (Note 13).

A statutory reserve fund is used to cover expected losses of CZK 9,228 million (31 December 2002: CZK 21,396 million and 31 December 2001: CZK 24,417 million) from the old block of loans. In the year 2003 losses of CZK 12,168 million from assigned and written off exposures from the old block of loans were covered by the reserve fund (for the year 2002: CZK 3,021 million and in the period from 1 September to 31 December 2001: CZK 204 million (Note 20)).

Based on the Government decision of 10 September 2003, the Agency paid an advance payment of CZK 2,200 million for purchase of real estate from the state organisation Správa železniční dopravní cesty. This transaction is based on the Agreement on future agreement concluded between the Agency, Czech Republic (Ministry of Transport) and Správa železniční dopravní cesty. This advance payment is guaranteed by the State (Note 21) and therefore no allowances have been created by the Group.

(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 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Standard	17,738	18,872	40,983
Watch	304	1,703	564
Substandard	6,903	4,884	1,542
Doubtful	5,205	9,714	2,209
Loss	122,113	188,914	163,027
	152,263	224,087	208,325

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

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Cash	5	7	125
Securities	43	41,312	331
of which: under reverse repo	-	41,168	-
Land and buildings	7,019	13,140	11,639
Other fixed assets	294	197	2,072
	7,361	54,656	14,167

In addition to the above assets received as collateral, the Group records guarantees received from third parties related to receivables from customers, in the amount of CZK 45,576 million (31 December 2002: CZK 15,385 million; 31 December 2001: CZK 24,370 million).

During the year 2003 ČF concluded a Settlement agreement with ČSOB as the successor of Banka Haná a.s. within the Stabilisation Programme. Based on this agreement there is a significant receivable from ČSOB in ČF's books, which by mutual agreement has not been publicly disclosed. As a consequence ČF released allowances for the receivables from Banka Haná and accounted for the difference between the receivable arising from the Settlement agreement and originally booked receivable from Banka Haná in Other operating revenues. The receivable from ČSOB will be repaid in three installments during the years 2004 and 2005.

Other receivables include the principal and also interest of the loans transferred to ČF under the Stabilisation and Consolidation Programme. The receivables included in the Stabilisation Programme are disclosed net of interest claimed on the behalf of third parties.

The accrued interest on receivables included in the Consolidation program was accounted for based on the information available to ČF at the time the receivables were transferred from individual banks included in the program. For a substantial part of the loan portfolio ČF is not currently able to determine the amount of interest and the related allowances, which would have been accounted under the original individual supporting loan agreements, however this would have no impact on the net book value of the relevant receivables.

Other receivables under the Consolidation program are covered by a guarantee of ČNB. Allowances of 100.00 % were created for other receivables included in the Stabilisation Programme to reflect their expected net realizable value.

(b) Loans to unconsolidated related parties

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Unconsolidated subsidiary undertakings:			
Loans to subsidiaries	4,426	597	2,993
Allowance for impaired loans (Note 13)	(4,357)	(63)	(2,194)
	69	534	799
Unconsolidated associated undertakings:			
Loans to subsidiaries	500	9,355	4,924
Allowance for impaired loans (Note 13)	(201)	(7,731)	(1,133)
	299	1,624	3,791
Other related parties:			
Board of Directors (Statutory representatives) of the companies of the Group	-	-	0.5
Supervisory Board of the companies of the Group	-	-	-
Management of companies of the Group	-	-	0.5
	-	-	1.0

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. 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 partly covered by the NPF guarantee.

6 SYNDICATE LOANS

At 31 December 2003, 31 December 2002 and 31 December 2001 the Group led no syndicated loans.

7 SECURITIES

	Bonds and similar debt securities at 31 December			Shares, mutual share and other interest equity securities at 31 December		
	2003 CZK m	2002 CZK m	2001 CZK m	2003 CZK m	2002 CZK m	2001 CZK m
Trading	-	-	2,711	-	-	-
Available-for-sale	1,520	1,102	395	11,955	2,193	1,984
	1,520	1,102	3,106	11,955	2,193	1,984

(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 2003 and as at 31 December 2002.

At 31 December 2001

At 31 December 2001	Net cost CZK m	Market value CZK m
Main or auxiliary market of recognised stock exchanges	619	2,764
Free market of recognised stock exchanges	2,748	-
Accrued interest on bonds	417	-
	3,784	2,764
Allowances for unrealised losses (Note 13)	(1,073)	
	2,711	

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.

Shares and similar equity securities

The Group had no shares and other similar equity securities in its trading portfolio as at 31 December 2003, at 31 December 2002 and at 31 December 2001.

(b) Securities available-for-sale

Bonds and similar debt securities

At 31 December 2003

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	-
Free market of recognised stock exchanges	1,011
Unquoted	509
	1,520

At 31 December 2002

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	-
Free market of recognised stock exchanges	1,004
Unquoted	98
	1,102

At 31 December 2001

	Net cost CZK m	Market value CZK m
Main or auxiliary market of recognised stock exchanges	394	392
Free market of recognised stock exchanges	47	6
Unquoted	537	-
	978	398
Allowances for unrealised losses (Note 13)	(583)	
	395	

Shares and similar equity securities

At 31 December 2003

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	166
Free market of recognised stock exchanges	-
Unquoted	11,789
	11,955

Allowances to shares which are included within the Stabilisation Programme, were created; eg. shares of Integra Service, a.s. and Pamela, a.s. Other securities included in the Consolidation Programme were not provided for based on the agreement with ČSOB.

The 2003 increase is due mainly to the transfer of so called “offshore structures” to the Group (Note 21).

At 31 December 2002

	Fair value CZK m
Main or auxiliary market of recognised stock exchanges	95
Free market of recognised stock exchanges	138
Unquoted	1,960
	2,193

At 31 December 2001

	Net cost CZK m	Market value CZK m
Main or auxiliary market of recognised stock exchanges	594	474
Free market of recognised stock exchanges	55	51
Unquoted	1,537	1,470
	2,186	1,995
Allowances for unrealised losses (Note 13)	(202)	
	1,984	

(c) Securities held-to-maturity

Bonds and similar debt securities

The Group had no securities held-to-maturity as at 31 December 2003 and as at 31 December 2002.

At 31 December 2001

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

8 PARTICIPATIONS REFLECTED UNDER THE EQUITY METHOD

At 31 December 2003

Name and registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Share %	Share of net equity under equity method CZK m	Share profits/ losses under equity method CZK m
České aerolinie, a.s., Praha	2,053	946	2,736	34.59	638	50
AERO Vodochody, a.s., Odolena Voda	1,602	781	2,692	29.00	-	-
KORADO, a.s., Česká Třebová	86	288	841	34.22	185	38
První česko-ruská banka, s.r.o., Moskva	233	161	2,916	5.52	163	2
VZLÚ, a.s., Praha	290	357	751	47.55	-	(18)
					986	72

K 31. prosinci 2002

Name and registered office	At cost CZK m	Nominal value CZK m	Share capital CZK m	Share %	Share of net equity under equity method CZK m	Share profits/ losses under equity method CZK m
České aerolinie, a.s., Praha	2,053	946	2,736	34.59	587	(27)
AERO Vodochody, a.s., Odolena Voda	1,602	781	2,692	29.00	-	-
ŠKODA HOLDING, a.s., Praha	1,668	1,051	2,171	48.40	790	(217)
KORADO, a.s., Česká Třebová	86	288	841	34.22	147	2
PVT, a.s., Praha	1,290	290	784	37.01	802	(37)
První česko-ruská banka, s.r.o., Moskva	228	163	335	48.66	157	58
VZLÚ, a.s., Praha	236	236	751	31.46	263	(3)
					2,746	(224)

No participations were reflected under the equity method at 31 December 2001.

9 UNCONSOLIDATED EQUITY INVESTMENTS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Subsidiary undertakings:			
Cost	5,672	6,035	5,477
Allowances for diminution in value (Note 13)	(3,956)	(4,808)	(3,864)
Net	1,716	1,227	1,613
Associated undertakings:			
Cost	5,671	1,465	7,530
Allowances for diminution in value (Note 13)	(3,596)	(536)	(2,992)
Net	2,075	929	4,538
	3,791	2,156	6,151

(a) Investments in unconsolidated subsidiary undertakings

At 31 December 2003

Name and registered office	At cost	Nominal value	Share capital	Share
	CZK m	CZK m	CZK m	%
ADEX, a.s., Tachov	-	352	385	91.28
VSM ČR, a.s. v likvidaci, Praha	-	1	1	100.00
IPB REAL INVESTMENT, a.s., Praha	-	50	50	100.00
Autoklub Bohemia Assistance, a.s., Praha	112	83	120	69.00
CRF Praha, a.s. v likvidaci	-	434	434	100.00
KRÁLOVOPOLSKÁ, a.s., Brno	209	209	311	67.00
První východní, a.s., Praha	30	5	5	100.00
TCHECOMALT GROUP, a.s., Prostějov	-	399	400	99.93
TRUSTFIN, a.s., Praha	-	251	251	100.00
ZVI, a.s., Praha	-	228	228	100.00
UNIPLLET Třebíč, a.s. ¹⁾	-	-	294	0.07
IMOB, a.s., Praha ¹⁾	-	-	2	11.36
BH CAPITAL, a.s., Prostějov	402	733	1,020	71.89
ČKD PRAHA HOLDING, a.s.	4,278	4,495	8,145	55.20
Baska, a.s. v likvidaci, Praha	101	571	571	100.00
COOP Banka, a.s. v likvidaci, Brno	500	500	501	99.80
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	-	500	501	99.76
COLORLAK, a.s., Staré Město ¹⁾	24	24	188	12.89
Synpo, a.s., Pardubice	12	27	51	52.58
Epispol, a.s., Ústí nad Labem	2	2	2	100.00
Spolchemie, a.s., Ústí nad Labem	1	1	1	100.00
Ostalak, a.s., v konkurzu, Ústí nad Labem	1	1	1	100.00
	5,672			
Allowances for unrealised losses (Note 13)	(3,956)			
	1,716			

¹⁾ UNIPLLET Třebíč, a.s., IMOB, a.s. and COLORLAK, a.s. are subsidiaries of the Group through the Group's managerial rights.

At 31 December 2002

Name and registered office	At cost	Nominal value	Share capital	Share
	CZK m	CZK m	CZK m	%
Revitalizační agentura, a.s. v likvidaci, Praha	270	270	270	100.00
VSM ČR, a.s. v likvidaci, Praha	-	-	1	50.00
IPB Real, a.s., Praha	1,115	1,000	1,000	100.00
SANAKON, s.r.o. v likvidaci, Praha	-	-	-	100.00
ŠKODA TS, a.s., Plzeň	118	118	186	63.44
ČKD PRAHA HOLDING, a.s., Praha ¹⁾	3,867	3,867	8,145	47.47
Baska, a.s. v likvidaci, Praha	101	571	571	100.00
COOP Banka, a.s. v likvidaci, Brno	500	500	501	99.80
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	-	500	501	99.76
Banka Bohemia, a.s. v likvidaci, Praha	-	524	800	65.51
COLORLAK, a.s., Staré Město ¹⁾	48	48	188	25.78
Synpo, a.s., Pardubice	12	27	51	52.58
Epispol, a.s., Ústí nad Labem	2	2	2	100.00
Ostalak, a.s., v konkurzu, Ústí nad Labem	1	1	1	100.00
Spolchemie, a.s., Ústí nad Labem	1	1	1	100.00
	6,035			
Opravná položka na snížení hodnoty (bod 13)	(4,808)			
	1,227			

¹⁾ ČKD PRAHA HOLDING, a.s. and COLORLAK, a.s. are subsidiaries of the Group through the Group's managerial rights.

At 31 December 2001

Name and registered office	At cost	Nominal value	Share capital	Share
	CZK m	CZK m	CZK m	%
Revitalizační agentura, a.s. v likvidaci, Praha	270	270	270	100.00
VSM ČR, a.s. v likvidaci, Praha	1	1	1	50.00
Zetor, a.s., Brno	3,593	4	4	97.74
Baska, a.s. v likvidaci, Praha	101	571	571	100.00
COOP Banka, a.s. v likvidaci, Brno	500	500	501	99.80
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	-	500	501	99.76
Banka Bohemia, a.s. v likvidaci, Praha	-	524	800	65.51
Spolek pro chemickou a hutní výrobu, a.s., Ústí nad Labem	939	1,042	1,939	53.73
COLORLAK, a.s., Staré Město ¹⁾	73	73	188	38.67
	5,477			
Allowances for unrealised losses (Note 13)	(3,864)			
	1,613			

¹⁾ COLORLAK, a.s. is the subsidiaries of the Group through the Group's managerial rights.

Summary financial information for unconsolidated subsidiary undertakings

At 31 December 2003 and for the year 2003

Name	Subsidiary financial data				
	Net book amount CZK m	Equity CZK m	Total assets CZK m	Revenues CZK m	Profit/(loss) before tax CZK m
ADEX, a.s. ¹⁾	-	-	-	-	-
VSM ČR, a.s. v likvidaci ²⁾	-	-	-	-	-
IPB REAL INVESTMENT, a.s.	-	(490)	331	1,048	402
Autoklub Bohemia Assistance, a.s.	77	116	289	879	8
CRF Praha, a.s. v likvidaci ²⁾	-	-	-	-	-
KRÁLOVOPOLSKÁ, a.s.	24	519	731	1,748	2,324
První východní, a.s.	30	36	96	7	-
TCHECOMALT GROUP, a.s. ²⁾	-	-	-	-	-
TRUSTFIN, a.s.	-	1,084	370	183	(112)
ZVI, a.s.	-	(293)	366	101	(80)
UNIPLET Třebíč, a.s.	-	176	380	361	(66)
IMOB, a.s.	-	39	41	239	226
BH CAPITAL, a.s.	402	958	965	1,895	46
ČKD PRAHA HOLDING, a.s.	542	267	305	252	69
Baska, a.s. v likvidaci ³⁾	101	-	-	-	-
COOP Banka, a.s. v likvidaci	500	(2,739)	80	231	5
Ekoagrobanka, a.s. v likvidaci	-	(7,025)	16	745	147
COLORLAK, a.s.	24	249	439	465	17
Synpo, a.s.	12	71	114	107	3
Epispol, a.s.	2	1	85	4	(1)
Spolchemie, a.s.	1	1	1	-	-
Ostalak, a.s., v konkurzu ⁴⁾	1	-	-	-	-
	1,716				

Notes: Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2003, unless stated otherwise.

¹⁾ The company is being deleted from the Commercial Register.

²⁾ The company's financial statements are not available.

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 2002 and for the year 2002

Name	Subsidiary financial data				
	Net book amount CZK m	Equity CZK m	Total assets CZK m	Revenues CZK m	Profit/(loss) before tax CZK m
Revitalizační agentura, a.s., v likvidaci	-	20	20	1	1
VSM ČR, a.s. v likvidaci	-	1	1	-	-
IPB Real, a.s.	558	580	2,430	974	36
SANAKON, s.r.o. v likvidaci	-	-	-	-	-
ŠKODA TS, a.s.	5	255	1,055	1,589	33
ČKD PRAHA HOLDING, a.s.	-	200	504	7,301	97
Baska, a.s. v likvidaci ²⁾	101	-	-	-	-
COOP Banka, a.s. v likvidaci	500	(2,744)	132	750	36
Ekoagrobanka, a.s. v likvidaci	-	(7,171)	18	1,606	109
Banka Bohemia, a.s. v likvidaci ¹⁾	-	(16,659)	-	6	(758)
COLORLAK, a.s.	48	232	408	455	25
Synpo, a.s.	12	68	85	92	1
Epispol, a.s.	2	2	2	-	-
Ostalak, a.s., v konkurzu ³⁾	-	-	-	-	-
Spolchemie, a.s.	1	1	1	-	-
	1,227				

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

¹⁾ The company's financial statements were only available unaudited, the company has been deleted from Commercial Register.

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

³⁾ 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 CZK m	Equity CZK m	Total assets CZK m	Revenues CZK m	Profit/(loss) before tax CZK m
Revitalizační agentura, a.s.	-	26	36	8	(10)
VSM ČR, a.s. v likvidaci ¹⁾	-	1	1	-	-
Zetor, a.s.	-	(2,238)	3,589	1,762	(631)
Baska, a.s. v likvidaci ²⁾	101	-	-	-	-
COOP Banka, a.s. v likvidaci	500	(2,780)	284	252	26
Ekoagrobanka, a.s. v likvidaci	-	(7,279)	13	841	86
Banka Bohemia, a.s. v likvidaci	-	(15,900)	783	71	(2,610)
Spolek pro chemickou a hutní výrobu, a.s.	939	1,744	2,813	4,293	171
COLORLAK, a.s.	73	207	401	499	8
	1,613				

Notes: 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 2003

Name and registered office	At cost mil. Kč	Nominal value mil. Kč	Share capital mil. Kč	Share %
ARTA REAL, k.s., Praha	1,606	1,400	2,900	48.28
Výzkumný a zkušební letecký ústav, a.s., Praha	290	357	751	47.55
BRNO INN, a.s.	24	62	240	25.83
CZ CREDIT REAL, k.s., Praha	1,032	900	2,900	31.03
GALILEO REAL, k.s., Praha	1,032	900	2,900	31.03
INTEGRA, a.s., Praha	32	171	839	20.41
Lesní společnost Hradec Králové, a.s.	38	144	679	21.13
MUZO, a.s., Praha	274	21	102	20.86
Jihočeské lesy České Budějovice, a.s., Nové Hradky	38	255	700	36.36
Jihočeské papírny, a.s., Větrní	94	951	2,444	38.89
VÁLCOVNY PLECHU, a.s., Frýdek-Místek	292	292	688	42.39
Inv. fond obchodu, cest. ruchu a služeb, a.s., Praha	261	237	595	39.84
Výzkumný ústav pivovarský a sladařský, a.s., Praha	8	23	69	32.93
1. česko-americká realitní společnost, a.s. v likvidaci, Praha	99	99	463	21.37
H-SYSTÉM a.s., v konkurzu, Praha	438	433	1,738	24.89
H-SYSTÉM Luxus, a.s., Praha	113	109	440	24.78
	5,671			
Allowances for unrealised losses (Note 13)	(3,596)			
	2,075			

At 31 December 2002

Name and registered office	At cost mil. Kč	Nominal value mil. Kč	Share capital mil. Kč	Share %
a) shares:				
Letov, a.s., Praha	566	566	1,799	31.46
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	41	462	926	49.92
KRÁLOVOPOLSKÁ, a.s., Brno	208	208	954	21.85
1. česko-americká realitní společnost, a.s. v likvidaci, Praha	99	99	463	21.37
H-SYSTÉM a.s., v konkurzu, Praha	438	433	1,738	24.89
H-SYSTÉM Luxus, a.s., Praha	113	109	440	24.78
b) contributions:				
Bankovní fond penzijního nadlepení, Praha ¹⁾	-	-	25	1.96
	1,465			
Allowances for unrealised losses (Note 13)	(536)			
	929			

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

At 31 December 2001

Name and registered office	At cost mil. Kč	Nominal value mil. Kč	Share capital mil. Kč	Share %
a) shares:				
České aerolinie, a.s., Praha	2,053	946	2,736	34.59
Letov, a.s., Praha	566	566	1,799	31.46
Výzkumný a zkušební letecký ústav, a.s., Praha	236	236	751	31.46
AERO Vodochody, a.s., Odolena Voda	1,603	781	2,692	29.00
ŠKODA HOLDING a.s., Praha	1,667	1,050	2,171	48.38
KORADO, a.s., Česká Třebová	86	288	841	34.22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	41	462	926	49.90
WALTER, a.s., Praha	628	1,453	3,164	45.91
H-SYSTÉM, a.s., Praha	438	433	1,738	24.89
H-SYSTÉM Luxus, a.s., Praha	113	109	440	24.78
1. česko-americká realitní společnost, a.s. v likvidaci, Praha	99	99	463	21.37
b) contributions:				
SANAKON, s.r.o., Praha	-	-	-	49.00
Bankovní fond penzijního nadlepení, Praha ¹⁾	-	-	25	1.96
	7,530			
Allowances for unrealised losses (Note 13)	(2,992)			
	4,538			

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

10 LONG-TERM INTANGIBLE AND TANGIBLE FIXED ASSETS

(a) Long-term intangible fixed assets

	31 December 2001 CZK m	31 December 2002 CZK m	Additions CZK m	Disposals CZK m	31 December 2003 CZK m
Cost	293	531	22	11	542
Accumulated amortisation	(195)	(462)	(37)	7	(492)
Net book amount	98	69			50

Intangible assets consist of software.

(b) Long-term operating tangible fixed assets

	31 December 2001 CZK m	31 December 2002 CZK m	Additions CZK m	Disposals CZK m	31 December 2003 CZK m
Cost					
Land	37	498	1	1	498
Buildings	1,709	2,448	49	30	2,467
Equipment	307	2,586	219	240	2,565
Other	20	139	101	-	240
	2,073	5,671	370	271	5,770
Accumulated depreciation					
Buildings	(151)	(1,122)	(61)	65	(1,118) ¹⁾
Equipment	(226)	(2,202)	(208)	248	(2,162)
Other	(16)	(13)	(1)	5	(9)
	(393)	(3,337)	(270)	318	(3,289)
Net book amount	1,680	2,334			2,481

¹⁾ The amount includes allowances of CZK 2 million (Note 13).

(c) Long-term non-operating fixed assets

	31 December 2001 CZK m	31 December 2002 CZK m	Additions CZK m	Disposals CZK m	31 December 2003 CZK m
Cost					
Land	42	50	19	1	68
Buildings	409	266	217	341	142
Equipment	5	5	-	-	5
Other	1	1	-	-	1
	457	322	236	342	216
Accumulated depreciation					
Buildings	(7)	(9)	(177)	174	(12)
Equipment	(6)	(6)	-	-	(6)
Other	-	-	-	-	-
	(13)	(15)	(177)	174	(18)
Net book amount	444	307			198

Non-operating tangible assets include tangible 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 million as at 31 December 2003 (at 31 December 2002: CZK 3 million and at 31 December 2001: CZK 3 million).

Moveable fixed assets that were pledged to the Group as collateral for granted loans, assets under charge as security over its liabilities or liabilities of third parties were not recognised as at 31 December 2003, at 31 December 2002 and at 31 December 2001.

11 OTHER ASSETS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Receivable from State due to loss of the Bank for the year 1999	-	-	12,089
Receivable from State due to loss of the Bank for the period from 1 January 2001 to 31 August 2001	-	4,734	35,684
Receivable from State due to loss of the Agency for the period from 1 September 2001 to 31 December 2001	-	13,873	16,122
Receivable from State due to loss of the Agency for the year 2002	76,264	76,264	-
Receivable from State due to loss of the Agency for the year 2003	5,224	-	-
Receivables from State due to loss - total	81,488	94,871	63,895
Receivable from NPF due to loss of the Group	922	2,009	8,874
Receivables from unsettled securities transactions	2,889	375	760
Operating advances granted	40	43	28
Clearing accounts for foreign currency operations	-	-	3
Settlement clearance accounts - debit balances	530	570	485
Estimated receivables	12	1,317	15
Advance for transfer of receivables from health insurance companies	2,062	-	-
Other receivables	11,134	8,579	15,077
Derivatives (Note 30 (c))	182	479	-
Inventories	339	340	1
	99,598	108,583	89,138
Allowances for impairment (Note 13)	(6,454)	(4,522)	(2,,270)
	93,144	104,061	86,868

The disclosed loss of the Agency for the year 2003, CZK 18,182 million will be covered by the Agency's reserve fund of CZK 12,168 million (Note 20), by MF ČR, CZK 5,224 million and by the NPF, CZK 790 million.

The disclosed loss of the Agency for the year 2002, CZK 79,434 million was partly covered by the Agency's reserve fund of CZK 3,021 million (Note 20) and by the NPF CZK 149 million. Management expects from negotiations it has held with State officials that the receivable from MF ČR of CZK 76,264 million should be settled by the proceeds from an issue of State bonds or be directly repaid by 2007.

The receivable from the State (MF ČR) due to the loss of the Bank/Agency incurred in 2001 was partly paid in 2002 and the rest was paid in 2003. The receivable from the NPF from previous years' losses incurred by subsidiaries was also paid in 2003.

Receivables from the State and the NPF for payment of losses do not bear interest and are not discounted to net present value, because it is not possible to determine their maturity.

12 PREPAYMENTS AND ACCRUED INCOME

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Prepayments	8	8	9
Accrued income	1	1	13
	9	9	22

13 ALLOWANCES, PROVISIONS AND WRITE OFFS

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

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Provisions			
Specific provisions for loans (Note 5)	2,321	5,593	10,039
Specific provisions for guarantees (Note 21)	778	1,993	4,363
Specific provision for "black" and "other" items transferred from ČSOB according to restructuring plan (Note 21)	20	124	29,264
Specific provision for purchase of receivables	-	-	294
Specific provision for offshore structures transferred from ČSOB (Note 21)	-	29,500	-
Specific provision for guarantee of repayment of Nová Hut', a.s. bonds	-	1,173	-
Specific provision for transfer of receivables from health insurance companies (Note 21)	884	-	-
Other provisions	3	2	-
	4,006	38,385	43,960
Allowances			
Impaired loans to banks (Note 4)	-	406	-
Impaired loans to customers (Note 5) ¹⁾	95,309	143,011	95,879
Trading securities (Note 7)	-	-	1,073
Securities available-for-sale (Note 7)	-	-	785
Securities held-to-maturity (Note 7)	-	-	1,001
Unconsolidated equity investments (Note 9)	7,552	5,344	6,856
Other assets (Note 10 and Note 11)	6,456	4,522	2,270
	109,317	153,283	107,864

¹⁾ Includes allowances for impaired loans provided to related parties (Note 5 (b)).

Due to the Agreement on settlement between ČF and ČSOB (Note 5 (a)), ČF's income relating to the Stabilisation Programme in 2003 significantly exceeds its expenses and the expected potential future losses of the Stabilisation Programme. Therefore ČF does not expect to exercise the guarantee arising from the agreements concluded with ČKA, respectively NPF (Note 1 (f)) and has therefore created allowances for the assets included in the Stabilisation Programme as at 31 December 2003.

The movements in provisions can be analysed as follows:

	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 ²⁾	Provisions for Nova Hut', a.s. bonds liabilities ³⁾	Provision for transfer of receivables from health insurance companies ⁴⁾	Other provisions	Total
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
31 December 2001	9,582	457	4,363	29,264	294	-	-	-	-	43,960
Creation	-	-	-	-	-	29,500	1,173	-	59	30,732
Release	(4,446)	-	(2,370)	(29,140)	(294)	-	-	-	(57)	(36,307)
31 December 2002	5,136	457	1,993	124	-	29,500	1,173	-	2	38,385
Creation	-	-	-	-	-	-	-	884	3	887
Release	(2,815)	(457)	(1,215)	(104)	-	(29,500)	(1,173)	-	(2)	(35,266)
31 December 2003	2,321	-	778	20	-	-	-	884	3	4,006

¹⁾ "Black" and "other" assets received in accordance with the Agreement with ČSOB (Note 21).

²⁾ Offshore structures received within realised put option in accordance with the Agreement on the restructuring plan of ČSOB (Note 21), were transferred to the Group and recorded in the balance sheet as at 31 December 2003. Provisions created for these assets have been released. These assets are covered by allowances (Notes 5 and 9) or revalued to fair value (Note 7).

³⁾ Based on Government decision 587/02 the Agency guarantees repayment of liabilities related to Nová Hut', a.s. bonds. In 2003, the liability was settled. Provisions created for these liabilities were released.

⁴⁾ Based on Government decision 1184/03 the Group will receive receivables from health insurance companies (Note 21). Advance payment for the purchase of these assets is covered by allowances in the amount of CZK 2,062 million (Note 11), the rest of these receivables are covered by provision.

On 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with the 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. (hereafter "ČS group"). During the year 2001, Česká spořitelna, a.s. exercised a put option with the Group.

In 2003 selected assets from ČS group were transferred to the Group amounting to CZK 1,894 million (in 2002: CZK 4,423 million; in 2001: CZK 4,990 million) in accordance with the above agreement. The Group has paid CZK 56 million (in 2002: CZK 50 million; in 2001: CZK 44 million) as motivation fees for this transfer. The Group created allowances for the transferred assets amounting to CZK 304 million (in 2002: CZK 1,979 million; in 2001: CZK 3,645 million) which are included in allowances for impaired loans and released specific provisions for the same amount. Specific provisions for guarantees relating to other transfers expected from Česká spořitelna, a.s. amounted to CZK 778 million as at 31 December 2003 (as at 31 December 2002: CZK 1,993 million; as at 31 December 2001: CZK 4,363 million).

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	Other assets	Total
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
At 31 December 2001	-	95,879	1,073	785	1,001	6,856	2,270	107,864
Additions	406	101,019	-	-	-	6,021	2,286	109,732
Usage	-	(53,804)	-	-	(1,001)	(6,512)	(34)	(61,351)
Write backs ¹⁾	-	(83)	(1,073)	(785)	-	(1,021)	-	(2,962)
At 31 December 2002	406	143,011	-	-	-	5,344	4,522	153,283
Additions	-	12,039	-	-	-	6,534	3,671	22,244
Usage	-	(42,331)	-	-	-	(4,326)	(1,578)	(48,235)
Rozpuštění	(406)	(17,035)	-	-	-	-	(159)	(17,600)
Write backs ¹⁾	-	(375)	-	-	-	-	-	(375)
At 31 December 2003	-	95,309	-	-	-	7,552	6,456	109,317

¹⁾ The written back allowances for classified loans of CZK 375 million for the year 2003 (for the year 2002: CZK 83 million) represent the difference between nominal and purchase cost of loans, recorded as allowances when originated, in accordance with the existing methodology.

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 2003	Quarterly average of gross impaired amounts receivable for the year 2003	Allowances at 31 December 2003
	CZK m	CZK m	CZK m
Watch	304	726	14
Substandard	6,903	4,747	400
Doubtful	5,205	11,042	4,024
Loss	122,113	152,052	90,871
	134,525		95,309

Write-offs and recovery of amounts written off previously

	For the year 2003		For the year 2002		1 September - 31 December 2001	
	Amounts written off CZK m	Recovery of amounts written off previously CZK m	Amounts written off CZK m	Recovery of amounts written off previously CZK m	Amounts written off CZK m	Recovery of amounts written off previously CZK m
State sector	224	-	2,615	-	184	-
Private clients	4,469	26	4,731	142	1,291	1
	4,693	26	7,346	142	1,475	1

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 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Due to central banks	14,734	16,230	25,677
Due to other banks	85,512	102,660	100,228
Loans received from banks based on repurchase agreements	-	-	2,100
	100,246	118,890	128,005

15 DUE TO CUSTOMERS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Amounts due to governmental entities	1,299	5,884	25,402
Amounts due to private customers	3,956	24,002	3,200
Other short-term payables to clients	114	250	97
	5,369	30,136	28,699

Deposits from related parties

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Unconsolidated subsidiary undertakings	185	120	36
Unconsolidated associated undertakings	-	205	257
	185	325	293

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 unfavorable features.

16 LIABILITIES FROM DEBT SECURITIES

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Bonds issued - medium and long-term, including accrued interest	32,718	27,684	12,624
less: own bonds held	(200)	(201)	(202)
Own T-bills issued	4,977	-	-
Promissory notes and bills of exchange	4,864	4,640	279
	42,359	32,123	12,701

As at 31 December 2003, the Group had outstanding short-term bonds issued (deposit bills) redeemable within one year of CZK 107 million (at 31 December 2002: CZK 117 million and at 31 December 2001: CZK 279 million) and T-bills issued redeemable within one year of CZK 4,977 million. The long-term and medium-term bonds issued comprise:

Issue	Notional amount (CZK m)	Maturity	Interest rate
2.	7,000	15 April 2004	10.875 % p.a.
3.	5,000	17 March 2005	6-month PRIBOR + 0.125 % p.a.
4.	5,000	10 June 2007	5.05 % p.a.
5.	10,000	28 June 2005	6-month PRIBOR + 0.09 % p.a.
6.	5,000	5 November 2010	4.00 % p.a.
	32,000		

The first issue was redeemed on 28 May 2001.

17 SUBORDINATED LIABILITIES

The Group had no subordinated debt as at 31 December 2003, as at 31 December 2002 or as at 31 December 2001.

18 OTHER LIABILITIES

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Payable to NPF	4,838	-	-
Other payables	733	707	228
Estimated payables	939	284	171
Tax payable	3	6	-
Derivative financial instruments (Note 30 (c))	121	17	-
	6,634	1,014	399

The Group records a receivable (liability) from the NPF (Notes 11 and 18) 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 Group.

19 ACCRUALS AND DEFERRED INCOME

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Accruals	85	57	11
Deferred income	52	51	1
	137	108	12

20 EQUITY AND PROFIT DISTRIBUTION

Share capital

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Issued and paid	5,950	5,950	5,950

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 9,228 million (at 31 December 2002: CZK 21,396 million, at 31 December 2001: CZK 24,417 million) 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. This interpretation was reconfirmed to the Group by

the Ministry of Finance on 27 October 2003. The Group released an amount of CZK 12,168 million (in the year 2002: CZK 3,021 million and in the period from 1 September to 31 December 2001: CZK 204 million) to cover losses related to the old block of loans. 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.

Revaluation reserve

Fair value of the cash flow hedging instruments is deferred in the revaluation reserve in equity until the effects of the hedged item are recognised in income (Note 30(c)).

21 CONTINGENCIES AND COMMITMENTS

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Guarantees granted			
On behalf of clients of the Group	1,916	209	978
On behalf of ČS group clients	628	3,334	13,070
On behalf of KB clients ¹⁾	5,862	6,812	20,000
Total	8,406	10,355	34,048
Specific provisions for guarantees (Note 13)	(778)	(1,993)	(4,363)
	7,628	8,362	29,685
Co-acceptances given	84	88	-
Loan commitments made			
Revocable	-	13	259
Irrevocable	356	539	5,036
	356	552	5,295
Collaterals given	1,654	-	-
Commitments on the cession of assets			
ČSOB "black" assets from IPB Restructuring Plan	20	124	17,847
ČSOB "other" assets from IPB Restructuring Plan	-	-	11,654
ČSOB offshore structures from IPB Restructuring Plan	-	57,500	-
Health insurance companies' receivables ²⁾	2,946	-	-
Specific provisions to ČSOB assets from IPB Restructuring Plan (Note 13)	(20)	(124)	(29,264)
Specific provisions to ČSOB offshore structures from IPB Restructuring Plan (Note 13)	-	(29,500)	-
Specific provisions to ceded receivables from health insurance companies ²⁾ (Note 13)	(884)	-	-
	2,062	28,000	237
Guarantees received			
From the State	18,015	1,225	2,686
From NPF ¹⁾	12,028	14,007	34,776
From other entities	21,395	6,965	6,908
	51,438	22,197	44,370
Irrevocable loan commitments accepted	29,466	132,882	133,786

¹⁾ As at 31 December 2003 the balance of CZK 5,862 million (as at 31 December 2002: CZK 6,812 million as at 31 December 2001: CZK 20,000 million) represents the Agency's guarantee for selected assets of KB based on Government regulations.

²⁾ Potential losses from the transfer of receivables from health insurance companies are covered by specific provision of CZK 884 million (Note 13) and allowances of CZK 2,062 million (Note 11).

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. 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 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.

The offshore structure assets were transferred to the Group in 2003 at a purchase price of CZK 57,407 million. In connection with the offshore structures transfer, the Group revalued the assets to fair value of CZK 20,928 million, as at 31 December 2003 and released provisions of CZK 29,500 million, which were created, based on available information on the estimate of risk of losses, as at 31 December 2002.

No other significant transfers of assets to the Group are expected under the Agreement with ČSOB.

Based on the Government decision 1184/03, health insurance companies' receivables from clients in bankruptcy will be transferred to the Group of nominal amount CZK 2,946 million. The Group paid an advance payment of CZK 2,062 million for the purchase of the receivables during 2003. As at 31 December 2003 the advance payment was fully provided for. In addition a specific provision of CZK 884 million was created, to cover potential losses from the transfer of the receivables.

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 judgment where PRISKO was ordered to pay the above mentioned amount. On 20 August 2001 an Appeal court in Prague has passed a judgment where the Regional Court's decision was annulled. On 9 April 2002 the Regional Court in Prague again passed a judgment 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.

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Assets placed in custody			
Shares	1,225	2,825	-
Bonds	-	747	809
	1,225	3,572	809
Assets in safe			
Shares	83	98	-
Bonds	-	-	1,008
	83	98	1,008
Assets under custody			
Shares	-	-	-
Other	1,329	1,320	1,219
	1,329	1,320	1,219

Assets purchased under resale agreements (Reverse Repo transaction):

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Obligace a jiné cenné papíry s pevným výnosem	-	41,168	-

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

Assets sold under repurchased agreements (Repo transaction):

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Bonds	-	-	2,100

Liabilities from Repo transactions are included in Due to banks (Note 14).

22 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Interest on inter-bank transactions	706	1,744	905
Interest on loans to customers and State	4,935	9,547	2,814
Interest and discount on debt securities and other financial transactions	1,550	983	36
	7,191	12,274	3,755

An estimated amount of CZK 3,262 million representing income on impaired loans was included in 2003 (for the year 2002: CZK 6,042 million; period from 1 September to 31 December 2001: CZK 6,657 million). Overdue penalty interest of CZK 6,421 million for classified loans as at 31 December 2003 (as at 31 December 2002: CZK 10,384 million; as at 31 December 2001: CZK 8,463 million) was not recorded in revenues. The penalty interest is legally enforceable and has not been forgiven.

23 INTEREST PAYABLE AND SIMILAR EXPENSE

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Interest on inter-bank transactions	4,580	7,053	2,717
Interest on loans to customers and State	371	834	168
Interest and discount on debt securities and other financial transactions	1,743	1,681	371
	6,694	9,568	3,256

24 INCOME FROM SHARES AND OTHER INTERESTS

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Income from unconsolidated associated undertakings	36	35	-
Income from shares and other interests	17	2	-
	53	37	-

25 GAINS LESS LOSSES FROM FINANCIAL TRANSACTIONS

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Realised gains less losses from securities transactions	(33,196)	(1,473)	52
Gains less losses from foreign currency transactions	(234)	(34)	93
Gains less losses from trading derivatives	156	473	-
Gains less losses from other transactions	102	9	19
Net allowances for trading and available-for-sale securities	-	-	(894)
	(33,172)	(1,025)	(730)

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 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 Group and 12% from the proceeds from loan principal received by ČS Group before their transfer to the Group. The first part of the motivation fee is paid by the Group quarterly, the second part is paid at the date of transfer to the Group. This motivation fee of CZK 57 million (for the year 2002: CZK 111 million, period from 1 September to 31 December 2001: CZK 13 million) 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 34 million (for the year 2002: CZK 273 million, period from 1 September to 31 December 2001: CZK 223 million) 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 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

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Rent and lease charges	36	25	13
Staff costs	917	954	204
Audit, tax and legal advisory services	154	157	39
Other administration expenses	873	880	119
	1,980	2,016	375

Staff costs can be analysed as follows:

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Salaries and emoluments	672	690	146
Social security and other social costs	235	255	56
Emoluments of Supervisory Boards	10	9	2
	917	954	204

Emoluments of Board of Directors and statutory representatives of the Group for their executive role of CZK 35 million (for year 2002: CZK 27 million, for the period from 1 September to 31 December 2001: CZK 7 million) are included in salaries and emoluments.

Staff statistics:

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Average number of employees of the Group	1,871	2,054	858
Number of members of the Board of Directors of the Group	20	20	15
Number of members of the Supervisory Board of the Group	32	33	23

The increase in employees of the Group in 2002 is attributable largely to the consolidation of Spolek for the first time in that year.

27 OTHER INCOME AND EXPENSES

	2003 CZK m	2002 CZK m	Period from 1 September to 31 December 2001 CZK m
Other income			
Fee and commission income	462	152	15
Other operating income	8,897	7,393	1,961
Usage of provisions for long-term tangible and intangible fixed assets	13	1	-
Release of provisions for loans and guarantees, income from receivables already written-off	17,132	22,018	9,681
Extraordinary income	-	3,502	9
	26,504	33,066	11,666
Other expenses			
Fee and commission expense	64	86	5
Other operating expense	4,238	5,507	3,427
Depreciation of long-term tangible and intangible fixed assets	235	397	42
Write-offs, additions and utilisation of provisions for loans and guarantees	31,945	77,309	23,906
Loss from transfer of participating interest with significant and controlling influence	4,829	4,037	1,737
Additions and utilisation of other specific provisions	(30,978)	29,353	902
Extraordinary expenses	-	1,970	197
	10,333	118,659	30,216

28 TAXATION

There was no tax liability of the Group in 2003. A deferred tax asset of the Group of CZK 4,481 million (at 31 December 2002: CZK 8,478 million, at 31 December 2001: CZK 7,613 million) 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.

The amount of cumulated tax losses can be adjusted by differences, which cannot be currently precisely quantified, which arise as described in the Note 5 (a). However based on the estimates of the differences ČF expects sufficient tax losses to be available so, that a current tax liability would not arise. Deferred tax asset has not been recognized, given the above uncertainty and as it is not probable that future taxable profit will be available against which the unused tax credits can be utilized.

29 EXTRAORDINARY ITEMS

In the year 2003, the Group did not record any extraordinary items.

(a) Extraordinary expenses

	2002 CZK m
Release of allowances for securities - revaluation at fair value:	
Shares	170
Mutual funds shares	32
Bonds and other debt instruments	1,585
Bills of exchange	74
Damage caused by fire (Spolek)	109
Other	-
	1,970

(b) Extraordinary income

	2002 CZK m
Release of allowances for securities - revaluation at fair value:	
Shares	170
Mutual funds shares	32
Bonds and other debt instruments	1,585
Bills of exchange	74
Revaluation to fair value - above cost at 31 December 2001	
Shares	240
Mutual funds shares	10
Bonds and other debt instruments	2
Bills of exchange	-
Expected insurance claim settlements resulting from fire (Spolek)	1,387
Other	2
	3,502

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 reports connected to financial risk management are prepared. 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.

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 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 2003

Assets	Domestic CZK m	European union CZK m	Other Europe CZK m	Other CZK m	Total CZK m
Due from banks	8,171	20	1	2	8,194
Due from customers	56,843	-	111	-	56,954
Securities available-for-sale	13,475	-	-	-	13,475
Investments in subsidiaries & associates	4,777	-	-	-	4,777
Other assets	95,631	171	80	7	95,889
	178,897	191	192	9	179,289

At 31 December 2002

Assets	Domestic CZK m	European union CZK m	Other Europe CZK m	Other CZK m	Total CZK m
Due from banks	53,744	49	1	12	53,806
Due from customers	80,450	-	626	-	81,076
Securities available-for-sale	3,295	-	-	-	3,295
Investments in subsidiaries & associates	4,745	-	157	-	4,902
Other assets	106,515	189	73	15	106,792
	248,749	238	857	27	249,871

At 31 December 2001

Assets	Domestic CZK m	European union CZK m	Other Europe CZK m	Other CZK m	Total CZK m
Due from banks	32,522	68	4	6	32,600
Due from customers	112,112	18	316	-	112,446
Trading securities	2,711	-	-	-	2,711
Securities available- for-sale	2,379	-	-	-	2,379
Investments in subsidiaries & associates	6,151	-	-	-	6,151
Other assets	89,120	-	-	-	89,120
	244,995	86	320	6	245,407

Business segmentation

At 31 December 2003

Assets	Private subjects CZK m	State institutions CZK m	Municipalities CZK m	Other CZK m	Total CZK m
Due from banks	6,717	1,477	-	-	8,194
Due from customers	50,219	6,673	62	-	56,954
Securities available-for- sale	13,475	-	-	-	13,475
Investments in subsidiaries & associates	4,777	-	-	-	4,777
Other assets	9,650	86,239	-	-	95,889
	84,838	94,389	62	-	179,289

At 31 December 2002

Assets	Private subjects CZK m	State institutions CZK m	Municipalities CZK m	Other CZK m	Total CZK m
Due from banks	53,806	-	-	-	53,806
Due from customers	77,378	3,639	59	-	81,076
Securities available-for- sale	3,295	-	-	-	3,295
Investments in subsidiaries & associates	4,902	-	-	-	4,902
Other assets	93,702	197	-	12,893	106,792
	233,083	3,836	59	12,893	249,871

At 31 December 2001

Assets	Private subjects CZK m	State institutions CZK m	Municipalities CZK m	Other CZK m	Total CZK m
Due from banks	32,600	-	-	-	32,600
Due from customers	87,852	24,452	142	-	112,446
Trading securities	2,711	-	-	-	2,711
Securities available-for-sale	2,379	-	-	-	2,379
Investments in subsidiaries & associates	6,151	-	-	-	6,151
Other assets	72,105	3,487	-	13,528	89,120
	203,798	27,939	142	13,528	245,407

(c) Derivative financial instruments

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

	31 December 2003	31 December 2002
	CZK m	CZK m
Trading agreements	32	15
Cash flow hedging agreements	150	-
Financial derivatives with positive fair value	182	15

	31 December 2003	31 December 2002
	CZK m	CZK m
Trading agreements	2	17
Cash flow hedging agreements	119	-
Financial derivatives with negative fair value	121	17

	31 December 2003			31 December 2002		
	Nominal value	Fair value positive	Fair value negative	Nominal value	Fair value positive	Fair value negative
	CZK m	CZK m	CZK m	CZK m	CZK m	CZK m
Trading agreements						
Foreign exchange derivatives						
Swaps	731	32	2	2,024	15	17

The Group had foreign exchange swaps in nominal value of CZK 781 million as at 31 December 2001.

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

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific Czech accounting rules and are therefore presented above as trading derivatives with fair value gains and losses recognised in the income statement.

	31 December 2003		
	Nominal value	Fair value positive	Fair value negative
	CZK m	CZK m	CZK m
Cash flow hedging agreements			
Interest rate derivatives			
Swaps	10,000	150	119

The Group did not record any cash flow hedging instruments at 31 December 2002 and 31 December 2001.

Fair value of the above qualifying cash flow hedging instruments is deferred in the revaluation reserve in equity until the effects of the hedged item are recognised in income.

The tables above provide a detailed breakdown of the nominal and the fair value of the Group's derivative financial instruments outstanding at the year end. These instruments, comprising foreign exchange and interest rate derivatives allow the Group to transfer, modify or reduce its foreign exchange and interest rate 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.

As at 31 December 2003 the off balance sheet exposure of CZK 464 million 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 11).

As at 31 December 2002 the off balance sheet exposure of CZK 614 million represents the fair value of sold shares of Český Mobil, a.s. The Group exercised the put option in October 2003, settlement of the sale was in February 2004 (Note 32 (b)).

(d) Currency risk

The Group takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates, especially EUR and USD. 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 swaps, 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.

As at 31 December 2003

Assets	CZK CZK m	EUR CZK m	USD CZK m	GBP CZK m	Other CZK m	Total CZK m
Due from banks	7,411	541	228	1	13	8,194
Due from customers	55,976	579	386	-	13	56,954
Debt securities	1,437	-	83	-	-	1,520
Other assets	112,372	220	25	4	-	112,621
	177,196	1,340	722	5	26	179,289
Liabilities and equity						
Due to banks	99,988	258	-	-	-	100,246
Due to customers	4,560	475	323	-	11	5,369
Liabilities from debt securities	42,359	-	-	-	-	42,359
Provisions	4,006	-	-	-	-	4,006
Other liabilities	6,603	160	8	-	-	6,771
Equity	19,610	-	-	-	-	19,610
Minority equity	928	-	-	-	-	928
	178,054	893	331	-	11	179,289
Balance sheet net	(858)	447	391	5	15	-
Off balance sheet net liabilities	-	(340)	(360)	-	-	(700)
Net on and off balance sheet position	(858)	107	31	5	15	(700)

As at 31 December 2002

Assets	CZK CZK m	EUR CZK m	USD CZK m	GBP CZK m	Other CZK m	Total CZK m
Due from banks	52,746	672	351	10	27	53,806
Due from customers	79,060	1,363	517	-	136	81,076
Debt securities	1,004	-	98	-	-	1,102
Other assets	113,645	215	20	7	-	113,887
	246,455	2,250	986	17	163	249,871
Liabilities and equity						
Due to banks	117,438	931	521	-	-	118,890
Due to customers	29,397	506	233	-	-	30,136
Liabilities from debt securities	32,123	-	-	-	-	32,123
Provisions	38,385	-	-	-	-	38,385
Other liabilities	999	92	7	1	23	1,122
Equity	27,854	-	-	-	-	27,854
Minority equity	1,361	-	-	-	-	1,361
	247,557	1,529	761	1	23	249,871
Balance sheet net	(1,102)	721	225	16	140	-
Off balance sheet net liabilities	968	(778)	(190)	-	-	-
Net on and off balance sheet position	(134)	(57)	35	16	140	-

As at 31 December 2001

Assets	CZK CZK m	EUR CZK m	USD CZK m	GBP CZK m	Other CZK m	Total CZK m
Due from banks	12,890	19,300	394	3	13	32,600
Due from customers	110,974	666	661	-	145	112,446
Debt securities	3,106	-	-	-	-	3,106
Other assets	97,255	-	-	-	-	97,255
	224,225	19,966	1,055	3	158	245,407
Liabilities and equity						
Due to banks	126,646	535	824	-	-	128,005
Due to customers	9,286	19,202	211	-	-	28,699
Liabilities from debt securities	12,701	-	-	-	-	12,701
Provisions	43,948	-	3	-	9	43,960
Other liabilities	377	25	-	-	9	411
Equity	31,631	-	-	-	-	31,631
	224,589	19,762	1,038	-	18	245,407
Net balance sheet position	(364)	204	17	3	140	-

The off-balance sheet foreign currency open position was immaterial as at 31 December 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 by the Agency. The Agency also 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, re-pricing or maturity dates.

At 31 December 2003

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	8,194	-	-	-	-	8,194
Due from customers	17,645	12,951	15,091	1,607	9,660	56,954
Debt securities	137	957	426	-	-	1,520
Other assets	12	60	-	-	112,549	112,621
	25,988	13,968	15,517	1,607	122,209	179,289
Liabilities and equity						
Due to banks	78,704	17,489	4,053	-	-	100,246
Due to customers	4,883	464	22	-	-	5,369
Liabilities from debt securities	8,962	8,397	20,000	5,000	-	42,359
Provisions	-	-	-	-	4,006	4,006
Other liabilities	385	2,310	3,773	-	303	6,771
Equity	-	-	-	-	19,610	19,610
Minority equity	-	-	-	-	928	928
	92,934	28,660	27,848	5,000	24,847	179,289

At 31 December 2002

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	total CZK m
Due from banks	47,903	59	344	5,500	-	53,806
Due from customers	528	12,977	36,448	3,942	27,181	81,076
Debt securities	-	252	186	109	555	1,102
Other assets	3,724	512	94,871	-	14,780	113,887
	52,155	13,800	131,849	9,551	42,516	249,871
Liabilities and equity						
Due to banks	5,197	21,740	72,440	19,513	-	118,890
Due to customers	29,780	355	-	-	1	30,136
Liabilities from debt securities	5,571	9,516	15,661	1,375	-	32,123
Provisions	-	-	-	-	38,385	38,385
Other liabilities	734	388	-	-	-	1,122
Equity	-	-	-	-	27,854	27,854
Minority equity	-	-	-	-	1,361	1,361
	41,282	31,999	88,101	20,888	67,601	249,871

At 31 December 2001

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	27,100	-	-	5,500	-	32,600
Due from customers	767	42,747	38,982	1,426	28,524	112,446
Debt securities	2,550	556	-	-	-	3,106
Other assets	12,181	63,930	5	147	20,992	97,255
	42,598	107,233	38,987	7,073	49,516	245,407
Liabilities and equity						
Due to banks	11,848	35,952	66,054	14,151	-	128,005
Due to customers	18,318	7,058	3,080	-	243	28,699
Liabilities from debt securities	4,633	-	7,624	-	444	12,701
Provisions	-	-	-	-	43,960	43,960
Other liabilities	-	-	-	-	411	411
Equity	-	-	-	-	31,631	31,631
	34,799	43,010	76,758	14,151	76,689	245,407

(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 Group into their relevant maturity bands, based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2003

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	4,733	977	2,484	-	-	8,194
Due from customers	6,128	12,579	22,824	2,525	12,898	56,954
Debt securities	137	957	426	-	-	1,520
Other assets	441	10	-	-	112,170	112,621
	11,439	14,523	25,734	2,525	125,068	179,289
Liabilities and equity						
Due to banks	9,350	47,355	38,541	5,000	-	100,246
Due to customers	4,499	829	41	-	-	5,369
Liabilities from debt securities	4,160	8,704	24,495	5,000	-	42,359
Provisions	-	-	-	-	4,006	4,006
Other liabilities	539	2,310	3,773	-	149	6,771
Equity	-	-	-	-	19,610	19,610
Minority equity	-	-	-	-	928	928
	18,548	59,198	66,850	10,000	24,693	179,289

At 31 December 2002

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	48,306	-	-	5,500	-	53,806
Due from customers	6,670	5,649	14,189	4,143	50,425	81,076
Debt securities	-	4	-	1,098	-	1,102
Other assets	3,724	506	94,871	-	14,786	113,887
	58,700	6,159	109,060	10,741	65,211	249,871
Liabilities and equity						
Due to banks	5,197	20,396	67,762	25,535	-	118,890
Due to customers	25,581	534	4,020	-	1	30,136
Liabilities from debt securities	115	-	30,567	1,441	-	32,123
Provisions	-	-	-	-	38,385	38,385
Other liabilities	684	388	50	-	-	1,122
Equity	-	-	-	-	27,854	27,854
Minority equity	-	-	-	-	1,136	1,136
	31,577	21,318	102,399	26,976	67,601	249,871

At 31 December 2001

Assets	Within 3 months CZK m	3 - 12 months CZK m	1 - 5 years CZK m	Over 5 years CZK m	Unspecified CZK m	Total CZK m
Due from banks	27,100	-	-	5,500	-	32,600
Due from customers	14,717	12,863	36,884	8,593	39,389	112,446
Debt securities	2,112	48	946	-	-	3,106
Other assets	12,181	63,930	5	147	20,992	97,255
	56,110	76,841	37,835	14,240	60,381	245,407
Liabilities and equity						
Due to banks	11,848	19,687	69,586	26,884	-	128,005
Due to customers	23,172	5,527	-	-	-	28,699
Liabilities from debt securities	807	2,748	9,146	-	-	12,701
Provisions	-	-	-	-	43,960	43,960
Other liabilities	194	214	-	3	-	411
Equity	-	-	-	-	31,631	31,631
	36,021	28,176	78,732	26,887	75,591	245,407

31 TOTAL DIRECT EXPOSURE TO STATE AND NPF

	31 December 2003 CZK m	31 December 2002 CZK m	31 December 2001 CZK m
Guarantees from State (Note 21)	18,015	1,225	2,686
Receivable from State due to repayment of losses (Note 11)	81,488	94,871	63,895
Total exposure to State	99,503	96,096	66,581
Guarantees issued by NPF (Note 21) ¹⁾	12,028	14,007	34,776
Receivable from NPF (Note 11)	922	2,009	8,874
Payable to NPF (Note 18)	4,838	-	-
Loan granted to NPF	7	7	22,217
Total exposure to NPF	8,119	16,024	65,867

¹⁾ As at 31 December 2003 guarantees issued by NPF include CZK 5,862 million to cover the Group's potential losses from asserted guarantee rights relating to selected assets of KB (as at 31 December 2002: CZK 6,812 million and as at 31 December 2001: CZK 20,000 million).

32 SUBSEQUENT EVENTS

(a) Return of receivables back to the Agency

As at 17 February 2004, the Agency signed contracts with AB-CREDIT, a.s. relating to the return of previously transferred receivables. These contracts relate to the return of 11 receivables of a nominal value of CZK 1,002 million, which were sold in the block of receivables ČKA 05. These receivables are fully provided for. There was not a significant net profit or loss realised from this transaction.

(b) Sale of Český Mobil, a.s.

As at 8 October 2003, the Agency sold shares of Český Mobil, a.s. to Telesystem International Wireless Corporation N.V. by exercising a put option. The settlement date was on 2 February 2004. There was not a significant net profit or loss realised from this settlement.

(c) Transfer of securities to the Agency

After the balance sheet date, the Agency acquired several titles of securities in lieu of cash settlement of a receivable based on a redemption agreement. This agreement relates to the transfer of chosen items from offshore structures which is in line with the Agreement with ČSOB (Note 21). There was not a significant net profit or loss realised from these transactions.

(d) Early settlement of bill of exchange

The Agency is preparing for the settlement in lieu of cash settlement of a bill of exchange of Sortos Holding, B.V., held by the Agency, of nominal value CZK 2 billion. The Agency acquired the bill of exchange within the transfer of chosen items from offshore structures in line with the Agreement with ČSOB (Note 21). The management of the Agency does not expect a significant net profit or loss realised from this transaction.

(e) Acquisition of majority share in the company Explosia, a.s.

As at 29 January 2004, the Agency acquired a 38.54 % share in Explosia, a.s. Based on a government decision, the Agency should acquire additional shares in Explosia, a.s. during the year 2004 and the Agency should subsequently gain 100.00 % in the company as a result. The management of the Agency does not expect a significant net profit or loss realised from this transaction.

(f) Realised sales of receivables

The Agency has realised several sales of receivables after the year end 2003. There was not a significant net profit or loss realised from these sales.

(g) Planned sales of receivables

The Agency plans to realise several sales of receivables during the year 2004. The management of the Agency does not expect significant net profit or loss to be realised from these sales.

(h) Tender for sale of Spolek's shares

Spolek's main shareholder, Česká finanční, declared a tender for the sale of its entire stake of 53.72% of Spolek's shares on 28 January 2004.

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
30 April 2004	Zdeněk Čáp, Ph.D. Ing. Mojmír Hampl, MSc.

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
30 April 2004	Ing. Radka Kafková Ing. Mojmír Hampl, MSc.