Annual Report

2002

Komerční banka Bratislava, a. s.

18,724

The Bank earned profits totalling SKK 18,724 thousand in 2002.

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The Bank's standard distribution network comprises three branches situated in the key locations of Slovakia (Bratislava, Banská Bystrica and Košice).

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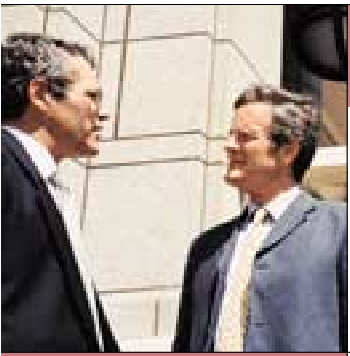

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Company Profile

Company Profile

Komerční banka Bratislava, a. s. (herein “KBB”) is a wholly-owned subsidiary of Komerční banka Prague, a. s. (herein “KB”). It has been operating in Slovakia since 1995 as a bank holding a universal banking licence. KBB was established as a natural step of business and financial activities between the Czech and Slovak Republics. For its prompt and highly competitive system of payments with the Czech Republic, KBB has acquired a firm position on the Slovak financial market. KBB conducts its business based on its banking licence and meets the criteria for all types of financial transactions, including capital market transactions (under the supervision of the Financial Market Authority).

KBB is a valuable member of the Komerční banka Group, comprising nine companies operating mostly on the Czech market.

The Bank’s mission is to support financial and capital flows arising from business activities between entities operating in Czech Republic and Slovakia, especially entities that are clients of the parent KB.

KBB offers its clients a full range of financial services, focusing on its corporate banking products. Well-established and strong corporations, along with special-purpose business entities which have business relations with the Czech Republic, represent the core of KBB’s client base. To a limited extent, the Bank also provides its financial products and services to small- and medium-sized businesses and private clientele. KBB offers above-standard services to clients of the KB Group operating on the Slovak financial and capital markets.

A key strategic goal of the Bank for 2003 is the expansion of its corporate clients and focus on business relations introduced by Société Générale, the new owner of Komerční banka.

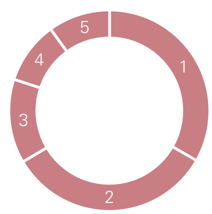
The integration of Komerční banka into the Société Générale ("SG") Group in October 2001 made Komerční banka Bratislava, a. s. part of one of the largest and most profitable banking institutions in Europe. SG Group offers over 15 million clients in 3,100 branches worldwide top quality and comprehensive financial services, including retail banking, asset management, private, corporate and investment banking. Being a member of the strong Société Générale Group will contribute to the strengthening of the market position of Komerční banka and its associated undertakings. This will be achieved by ongoing quality enhancement, and the gradual expansion of the scope of products and services offered to corporate clients.

Financial Highlights

Unconsolidated data	IAS		SAS	
SKK thousand	2002	2001	2002	2001
Financial Results				
Net interest income	121,985	147,540	133,687	153,081
Net fees and commissions	51,659	82,649	34,948	163,610
Trading profit/loss	26,136	(8,980)	51,360	(78,526)
Income from associated undertakings	24,685	26,983	7,836	–
Other income	(1,145)	1,461	–	–
Net banking income	223,320	249,653	227,831	238,165
Administrative expenses	156,438	158,361	170,781	163,513
Profit before reserves and provisions	66,882	91,292	57,050	74,652
Net provisions and reserves for loan losses, written off receivables	28,052	27,664	38,326	39,735
Profit/loss before tax	38,830	63,628	18,724	34,917
Income tax	(3,703)	(6,142)	–	–
Net profit	35,127	57,486	18,724	34,917
Market value per share as at 31 December	7	11	4	7
Balance Sheet				
Total assets	5,231,266	6,194,360	5,918,933	7,976,311
Net loans and advances to customers	2,196,678	1,950,734	2,277,825	2,042,009
Amounts owed to customers	1,646,546	2,820,642	1,862,328	3,042,622
Trading securities	615,881	960,013	1,202,476	3,207,855
Investment securities	193,486	659,024	192,019	196,283
Total shareholders' equity	630,195	595,068	573,895	555,962
– Registered capital	500,000	500,000	500,000	500,000
– Non-distributable reserves	55,135	20,717	55,171	21,045
– Profit/loss	75,060	74,351	18,724	34,917
Ratios				
Capital adequacy	24.39	23.37	24.43	25.58
Expenses on total net income ratio	70.05%	63.43%	74.96%	68.66%
Fee and commission margin on total net income ratio	23.13%	33.11%	15.34%	68.70%
LUSR on Loans Gross	5.86%	4.36%	5.86%	4.36%
Total assets per share	1,046	1,239	1,184	1,595
Other Data				
Average number of employees	127.21	150.60	127.21	150.60
Number of employees	115	145	115	145
Number of sales points	3	4	3	4
Number of ATMs	2	2	2	2

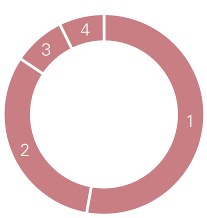
IAS – Results according to the International Accounting Standards
SAS – Results according to the accounting methodology for Slovak banks
Income from associated undertaking was not consolidated in SAS results.

Structure of assets



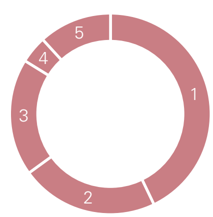
1	Due from other banks	1,967,151	33.3%
2	Loans to clients	1,964,717	33.2%
3	Securities	800,978	13.5%
4	NBS treasury bills for refinancing	593,517	10.0%
5	Other assets	592,570	10.0%

Structure of liabilities



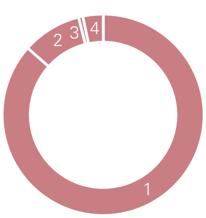
1	Due to other banks	3,122,687	52.8%
2	Client deposits	1,862,328	31.5%
3	Registered capital	500,000	8.4%
4	Other liabilities	433,918	7.3%

Structure of primary deposits



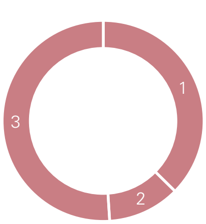
1	Current accounts	799,510	42.9%
2	Time deposits	412,452	22.1%
3	Time deposits – customer	349,003	18.8%
4	Savings deposits	81,363	4.4%
5	Loans received from clients	220,000	11.8%

Equity and capital



1	Registered capital	500,000	87.10%
2	Reserve fund	55,135	9.60%
3	Social fund	36	0.01%
4	Profit for current period	18,724	3.30%

General administrative costs



1	Personnel costs	65,139	37.4%
2	Depreciation	20,214	11.6%
3	Other administrative expenses	88,865	51.0%

Foreword of the Chairman of the Board of Directors

Ladies and Gentlemen,

We are proud to present to you the Annual Report of Komerční banka Bratislava, a. s. (KBB) for 2002.
The year 2002 brought significant changes for KBB, a 100% subsidiary of Komerční banka, a. s. Prague.
On 28 June 2001, the Czech government reached a decision to sell a 60% stake of the registered capital of Komerční banka, a. s. (the parent company of KBB) to Société Générale.
While in 2001 the Bank focused on addressing risks, restructuring and stabilisation, in 2002 the Bank's priority was to commence the process of the Bank's adaptation to the structure of Société Générale, the majority shareholder of KB Prague. The objective has been to implement the declared strategy in all structures and areas of the Bank's business.
KBB centralised the services to its corporate clients in 2001, which significantly improved the service to these clients. Its client base stabilised, while corporate clients remained the core segment.
KBB's business plans are subjected to the primary goal set by the parent company, being mainly the restructuring of the Bank as a whole and its ability to meet its requirements.
During this demanding period, KBB succeeded in retaining top clients and continued to expand its client base.
Meeting the Bank's 2002 objectives was challenging not only due to the process of approximating Slovak legislation to EU requirements and the closer monitoring by regulatory authorities of banking institutions under developments in the banking sector, but also due to preparations for meeting the conditions and requirements of the strategic investor.
Therefore, I would like to express my gratitude to the Bank's employees for performing all their tasks in a professional and timely manner during this challenging period, a period of the Bank's restructuring.

KBB's business plans are subjected to the primary goal set by the parent company, being mainly the restructuring of the Bank as a whole and its ability to meet its requirements.

The restructuring of KBB began a new era for KBB. The changes that lie ahead for KBB when integrating into the Société Générale structures will demand extraordinary effort and commitment. However, it has opened the door for KBB to be among the leading banking entities in Europe.

Robert Kerneis
Chairman of the Board of Directors and CEO

Macroeconomic and Competition Development

Development of Key Macroeconomic Indicators in 2002

In 2002 the Slovak economy grew dynamically surpassing not only the economic growth of the Euro-zone, but of the other V4 countries as well.

In 2002 the Slovak economy grew dynamically surpassing not only the economic growth of the Euro-zone, but of the other V4 countries as well. Real growth of Slovak GDP in 2002 amounted to 4.4% year-to-year basis, which is mainly the result of record GDP growth in the fourth quarter of 2002 of as much as 5.4%. In nominal figures, GDP exceeded the level of SKK 1 billion for the first time, reaching SKK 1.073 billion. Economic growth in 2002 was mainly led by household consumption, which increased by 5.4% on a year-on-year basis. Increased household consumption was mainly supported by real wage growth of 5.8%, as well as by the development of banking services and consumer loans. Economic growth was also influenced by increased spending by public administration (4%) as a result of parliamentary elections that took place in the autumn, and of a slight increase in net exports. The generation of gross fixed capital, on the contrary, reported a drop by almost 1% on a year-on-year basis. This was probably the result of the postponement of certain capital expenditure projects due to uncertain post-election developments, and the anticipated decision on the accession of the Slovak Republic to the EU. The postponed price deregulation in 2002 resulted in a significant slow-down of inflation. The consumer price growth index reached only 3.3%, which is the lowest figure since 1989. Unemployment remains the gravest problem facing the Slovak economy. The creation of new jobs as a result of foreign investment and economic growth in general was restrained by the enhanced efficiency of work procedures as well as efforts to decrease over-employment in certain sectors. The unemployment rate has slightly decreased, standing at 17.4% as at the end of 2002. The state budget deficit reached approximately SKK 51.7 billion, increasing the deficit by SKK 7.3 billion year-on-year. The government's operations generated a deficit of SKK 37.1 billion in 2002. The remaining SKK 14.6 billion represent costs associated with banking sector restructuring. The overall state budget deficit quantified using IMF methodology amounted to approximately 4.8%.

Given the result of the autumn parliamentary elections signalling the continuity of the pro-reform orientation of the new central-right coalition, reputable international rating agencies responded by upgrading Slovakia's rating to 'investment' grade. Fitch Ratings was the first agency to respond by increasing Slovakia's rating for long-term foreign currency loans to BBB – and subsequently improving the rating outlook from 'negative' to 'stable'. Other rating agencies, Standard & Poor's (rating of long-term foreign currency debt BBB+) and Moody's (A3) also responded favourably. The rating agencies acknowledged the forthcoming reforms, Slovakia's 2004 accession to the EU, and the Government's commitment to reduce the public finance deficit and the deficit of the Balance-of-Payment current account.

Foreign Investment in 2002

As per the figures for the first nine months of 2002, the net inflow of foreign capital investments in Slovakia amounted to SKK 160.9 billion, of which, investments in the corporate sector represented SKK 151.8 billion, with the remaining portion being channelled into the banking sector. The volume of foreign investments was affected mainly by the largest privatisation transaction in the history of Slovakia – the privatisation of a 49% stake in SPP acquired by the consortium of Ruhrgas and Gaz de France for USD 2.7 billion. In addition, 48% stakes in three distribution companies ZSE, SSE and VSE were privatised in 2002 and acquired by key players in Europe – E.ON Energie, Electricité de France and RWE Plus. The approximate proceeds from these transactions amounted to EUR 618 million. Furthermore, the sale of Slovenská poisťovňa to Allianz, a German concern, was completed for approximately EUR 142 million. Several acquisitions took place on the insurance market: Wiener Städtische, an Austrian group, purchased a two-thirds stake in Kontinuita and KBC, a Belgian group, became the owner of a majority shareholding in Ergo. Some other players entered the insurance business in Slovakia, namely Hungarian OTP, Dutch AB Aegon, Slovenská sporiteľňa and Swiss Credit Suisse Life & Pensions.

In 2002, foreign investments in the car industry continued (especially with respect to VW Slovakia) with the component suppliers Brose, Plastic Omnium and Inergy Automotive Systems. The electrical-engineering sector (Samsung, Punch International, Molex) and the wood processing industry also reported inflows of investments for the construction of new production capacities. Significant investments were also channelled into the development of retail chains.

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Development of Individual Sectors of the Economy

In 2002, the industrial production index increased by 8.6% year-on-year. Electrical engineering, car, and chemical industries represented the most significant contributions to this increase. The volume of production of electrical and optical facilities increased by 20.7% on a year-to-year basis, the production of vehicles increased by 12.3%, and the production of rubber and plastic material by 13.4%. Total industry sales amounted to SKK 939.7 billion, of which nearly 25% was produced by the car manufacturing industry (SKK 215.1 billion). The car manufacturing industry held almost an identical share in the total export of Slovakia, which demonstrates its leading role in the Slovak economy. The chemical and pharmaceutical industries reported sales of SKK 157.9 billion with a year-to-year increase of 1.5%. Electrical engineering sector sales grew by 15.9% to SKK 67.6 billion. The total profit of industry reached SKK 64.4 billion in 2002, which represents a 14.3% increase compared to 2001. The mechanical engineering sector was the most profitable industry with total profit of SKK 10.3 billion (up by 13.7%). Despite real wage growth of 3.5%, retail sales did not meet expectations in 2002 and grew by only 3.5% on a year-to-year basis.

Significant Changes in Legislation

At the EU Copenhagen Summit in December 2002, Slovakia completed the last three of the 30 chapters of EU pre-accession negotiations, and consequently received an invitation for EU accession – effective from 1 May 2004. At the same time, the Slovak Government and the EU agreed upon the financial conditions of accession. Within the first three years of accession, Slovakia is entitled to receive net finance inflows from the EU of EUR 831 million. A maximum 7-year transition period will be applied on restrictions on the free movement of persons within the EU, or the purchase of land by foreign individuals. Slovakia has already adopted the primary legislation in accordance with the EU in all areas that were discussed during the pre-accession negotiations. Certain laws, however, must be fully harmonised with EU legislation by the accession date and implemented more efficiently. The tax reform, which the Ministry of Finance of the Slovak Republic plans to implement, effective from 2004, will represent a significant change as it represents a significant simplification of the current non-transparent tax legislation. The reform proposes an introduction of a flat rate tax of 20% on income of all entities (individuals, legal entities, and others), an increase of the non-taxable minimal income, and the elimination of the so-called triple tax (gift tax, transfer tax, and inheritance tax). The drop in the state budget tax income should be compensated for by the introduction of a single VAT rate (20%).

Banking Sector Developments in 2002

Banking sector profit amounted to SKK 12.534 billion in 2002, representing a year-to-year growth of 38%. The banks in the red operated with a loss of SKK 694.2 million, while the profit-making banks generated profits of SKK 13.2 billion. Total assets of commercial banks increased by 9% to SKK 1.017 billion. The banks with the highest profits included the key market players: Slovenská sporiteľňa with the highest net profit (SKK 3.5 billion), followed by Tatra banka (SKK 2.5 billion) and VÚB (SKK 1.7 billion). Two banks reported a loss: OTP Banka (SKK 691 million) and ČSOB stavebná sporiteľňa (SKK 3.6 million). At the year-end, the total loans extended by commercial banks in Slovakia amounted to SKK 314.5 billion, and deposits represented SKK 684.3 billion. Tatra banka has been awarded by the weekly Trend to be the Bank of the Year, followed by Citibank and Prvá komunálna banka.

Banking sector profit amounted to SKK 12.534 billion in 2002, representing a year-to-year growth of 38%. The banks in the red operated with a loss of SKK 694.2 million, while the profit-making banks generated profits of SKK 13.2 billion.

The Slovak banking sector is currently almost completely owned by foreign investors, with the exception of Poštová banka and Banka Slovakia. A tender for the privatisation of Slovenská konsolidačná's 55.2% stake in Poštová banka took place in 2002. However, the binding bids submitted by Tatra banka and Česká pojišťovna were rejected by Slovenská konsolidačná as they did not meet its expectation with respect to the offered price. The sales process of Poštová banka was suspended in July 2002. Several investors expressed their interest in acquiring Banka Slovakia, however, the NBS only allowed the Austrian Meinl Bank to perform due diligence. Meinl Bank offered SKK 360 million for a 60% share held by the National Property Fund of the SR. The transfer of shares and the settlement is expected to take place in 2003. In 2002, the banking sector saw a boom in mortgage loans that are currently offered by nine banks. The range of consumer loans offered was extended before Christmas as a result of increased demand for consumer goods; the competitive environment had an impact on the interest rates offered. Despite that, the banking sector in Slovakia reports a liquidity surplus and a low portion of client loans in overall banking activities.

This year a reduction of the foreign trade deficit from 9% of GDP in 2002 to 6.1% in 2003.

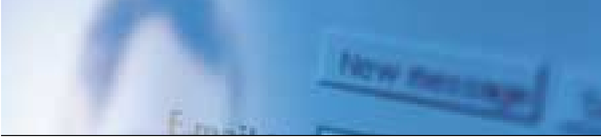
Projected Macroeconomic Development in Slovakia in 2003

In 2003, a slight slowdown of economic growth to 4.0% is expected. Growth will be driven by not only domestic demand, but also corporate investments should have a strong impact in the form of increased generation of fixed capital and higher export efficiency of the Slovak economy. The risks for 2003 economic development are associated with the slowdown in the growth of the global economy and especially the EU economy where more than 60% of Slovak exports are channelled. The unemployment rate will fall gently, as increased efficiency in over-employed industries and in the public sector will dampen the effect of job-creation. We estimate that the unemployment rate will fall below 17% by year-end. The inflation rate measured by the Consumer Price Index will exceed 8% in 2003 as a result of price deregulation (especially in the energy sector) effective from the beginning of the year. The core inflation rate will remain low at 3%. The 2003 state budget was approved in December 2002 and the deficit of SKK 56.0 billion was assumed (including bank restructuring costs), which represents a deficit of 4.85% of GDP. The public funds deficit should amount to SKK 56.8 billion as quantified by the ESA 95 methodology, which represents 4.92% of GDP contemplated by the Government in the amount of SKK 1.155 billion.

This year we expect a reduction of the foreign trade deficit from 9% of GDP in 2002 to 6.1% in 2003. This trend is also validated by positive results for January and February 2003, when the foreign trade deficit amounted to SKK 4.4 billion, representing a year-on-year fall by 65.8%. A significant growth in Slovak exports will create pressure on the strengthening of the Slovak Crown and will test the competitiveness of Slovak exporters. Privatisation and foreign direct investment inflow will also affect the strengthening of the Slovak currency.

Elections – Results and Impacts on Development

The parliamentary elections in autumn 2002 produced a surprising result when Mikuláš Dzurinda was re-elected as Prime Minister. The new centre-right government consists of SDKÚ, KDH, SMK and ANO, and has closer shared-values than the previous government; it gained a close majority of seats – 78 out of 150. The first disagreements between the coalition parties arose as early as the first months of their administration as a result of different views on nominees to the bodies of Slovenské elektrárne. Such disagreements were intensified by the bugging scandal involving Mr. Pavol Rusko, Chairman of the ANO party, an issue that has not yet been resolved. Despite the disputes in the government coalition, we do not envisage that the conflicts within the coalition could result in its fall or early elections. Major successes in foreign affairs are attributable to the Government of Mikuláš Dzurinda – Slovakia was invited in November 2002 to join NATO, and a month later at the Copenhagen Summit the EU approved its expansion by the entry of 10 applicant countries, including Slovakia. The pro-reform government aims to complete the privatisation of a 49% stake in Slovenské elektrárne in 2003, and to launch major reforms of the pension, social security, tax, health care and education systems in 2004. The Government has set a challenging objective to gradually reduce the public fund deficit to 3% in 2006, at which time Slovakia should be ready to enter the European Monetary Union.



Report of the Board of Directors

Strategy

The Bank's strategy is to serve clients globally by providing individual care, offering sophisticated products and applying the synergetic effect of the linkage between individual KB Group members.

Summary evaluation of fulfilment of strategic intentions

Following the change in ownership, Komerční banka and Komerční banka Bratislava in 2002 continued to integrate into the global structure of the Société Générale group. From April till September 2002, members of the Board of Directors were completely exchanged. The year 2002 saw the Bank's stabilisation in all activities and presence in the market. Following a detailed analysis, a business strategy for the Bank was defined. The Bank continued to focus on its defined target client base – corporate clients, whilst endeavouring to establish business relationships with multi-national corporations conducting business in Slovakia. The Bank's objective was to attract mainly the clients of SG and Komerční banka operating in the Slovak market. The Bank's stabilisation strategy covering its business activities, employees and operating costs had an impact on the achieved results of operations of Komerční banka Bratislava, a. s. for 2002.

The year 2002 saw the Bank's stabilisation in all activities and presence in the market.

Bank's strategic intentions for 2003

The strategic objective for 2003 is to establish KBB on the market as a corporate bank.

Key objectives:

– to clean the portfolio and to introduce a selective approach to local companies,
– to increase the Bank's market share in the corporate banking segment,
– to develop co-operation with international companies of SG in the Slovak market,
– to develop business activities in Trade Finance – letters of credit, guarantees,
– to continue to perform payments with the Czech Republic and to provide domestic and international payment services,
– to develop business activities in the area of Foreign Exchanges and Capital Markets.

Distribution Network

The Bank’s standard distribution network comprises three branches situated in the key locations of Slovakia (Bratislava, Banská Bystrica and Košice).

E-banking

Through e-banking, the Bank serves clients not residing in the cities where the Bank’s regional representations are located. Clients using the Homebanking service were subsequently provided with a new application version known for its higher stability and enhanced user comfort. Through implementation of this application the Bank laid the foundations for the further development of services in e-banking, whose pilot operation is planned to start soon.

Company Product Range

– opening current, term and savings accounts
– local and foreign payment system (with a special regime for payments from/to the Czech Republic)
– cash and foreign exchange transactions
– loans and guarantees
– money markets products
– financial derivatives
– foreign currency markets products
– capital markets products
– payment cards

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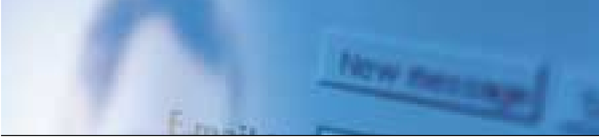
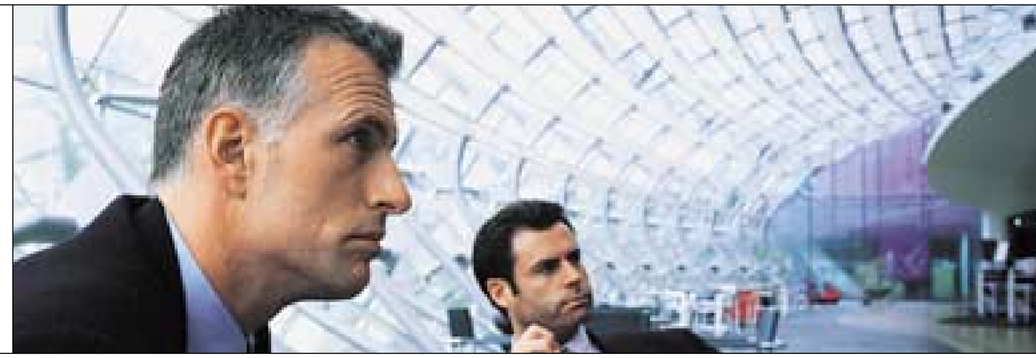




Comments on the Financial Results

Selected assets, liabilities and equity

Ratios are calculated based on assets decreased by treasury bills accepted by NBS for refinancing, i.e. by SKK 593,517 thousand in 2002. Total assets of the Bank amounted to SKK 5,918,933 thousand as at 31 December 2002. The share of the Bank's interest-bearing assets to its total assets represented 88.87% as at the year-end.

Loans to clients

In its loan activities, the Bank focused on retaining credit-worthy clients and attracting foreign and multi-national corporations operating in Slovakia as well as business partners among the clients of the KB Group with strong business relations with the Czech Republic, while strictly respecting the internal and external rules of prudent operations.

As at 31 December 2002, the Bank's loan portfolio amounted to SKK 1,964,717 thousand, which is a year-on-year decrease of 3.8%. The loans to total assets ratio represented 36.89% at the year-end. Classified debt to total loans ratio amounted to 5.6%, while the Bank recorded two loss loans totalling SKK 71,511 thousand. The Bank created reserves and provisions for the total loan portfolio in the amount of SKK 170,560 thousand, thereof reserves totalling SKK 84,513 thousand.

Securities

At the year-end the securities portfolio (including shares and investments) amounted to SKK 1,404,495 thousand, representing a 26.4% share in the Bank's total assets and a year-to-year decrease of 59%. NBS treasury bills accepted for refinancing amounted to SKK 593,517 thousand.

The following securities accounted for the following shares of the total securities portfolio:

– government bonds, state treasury bills and NBS treasury bills – 84.3%
– Eurobonds of the SR – 11.7%
– corporate bonds – 3.3%
– shares – 0.7%

The Bank holds a 20% equity share in CAC Leasing Slovakia, a. s. representing SKK 10,000 thousand. This associated company earned profits of SKK 138,198 thousand in 2002, which had a positive impact on the Bank's consolidated profit approximately SKK 18,422 thousand.

Compared with 2001, the level of client deposits reached SKK 1,862,328 thousand at the end of 2002, representing a 38.8% decrease.

Fixed assets

The Bank has fixed assets at net book value of SKK 82,527 thousand. The present book value of all real estate held by the Bank amounts to SKK 31,209 thousand. The Bank owns land related to this real estate at book value of SKK 3,370 thousand. Other fixed assets feature mainly office and IT equipment, software and technical upgrades to leased real estates.

Client deposits

Compared with 2001, the level of client deposits reached SKK 1,862,328 thousand at the end of 2002, representing a 38.8% decrease. In 2002, the Bank succeeded in stabilising its client base and established conditions for its further growth. The Bank's primary source structure did not change significantly in 2002 and the year-on-year decrease in primary deposits amounted to 4.2%.

Shareholder's equity and capital

The Bank's equity totals SKK 573,895 thousand as at 31 December 2002, comprising:

Capital	SKK 500,000 thousand
Reserve fund	SKK 55,135 thousand
Social fund	SKK 36 thousand
Profit for current year	SKK 18,724 thousand

Capital for the purposes of capital adequacy, credit exposure and unsecured foreign currency positions amounted to SKK 625,969 thousand at the year-end. Capital adequacy reached 24.43%.

Reserves and provisions

The Bank created reserves and provisions to cover any potential risks totalling of SKK 249,047 thousand, thereof legal reserves represent SKK 35 654 thousand and other reserves SKK 66,046 thousand.

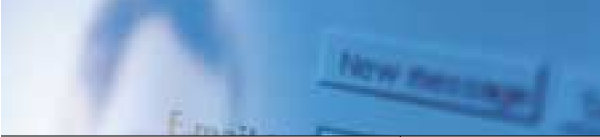
Profit/Loss

The profit earned by the Bank was affected mainly by the following events:
– situation on the financial market – margins prevailing on the Slovak market,
– granting loans with lower margins,
– strict control of operating expenses.

The Bank earned profits of SKK 18,724 thousand in 2002. Profit was earned as follows (SKK thousand):

Profit from financial transactions	227,831
General operating expenses	(174,218)
Operating income	53,613
Receivables write-off, extraordinary and other income and expenses, net	3,386
Adjusted profit	**56,999**
Reserves and provisions, net	(38,275)

No tax liability arose.



Distribution of profit for 2002

The Bank earned profits of SKK 18,724 thousand as at 31 December 2002, which the Board of Directors suggested distributing as follows:

Allotment to social fund	SKK 500 thousand
Allotment to reserve fund	SKK 18,224 thousand

Accounting procedures

The balance sheet and statement of profit and loss as at 31 December 2002 were prepared in accordance with Act 563/1991 Coll. on Accounting, as amended, and the effective regulations issued by the Ministry of Finance of the Slovak Republic.

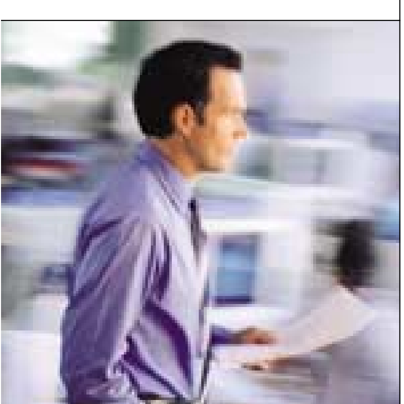
Valuation of assets

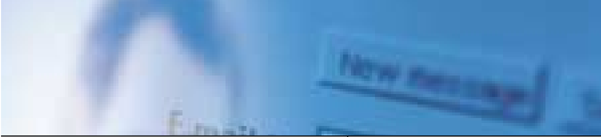
When recognising and measuring individual assets, the Bank followed Accountancy Act no. 563/1991 Coll. and Bank Accounting Procedures issued in Regulation of the MF SR no. 65/356/1996 as amended in the wording of Regulation of the MF SR no. 3171/1997 – secr., Regulation of the MF SR no. 18032/1999 and Regulation of the MF SR no. 21189/2000-92.

The Bank measured tangible and intangible fixed assets at cost. Trading and equity securities were measured at cost of acquisition, excluding the related expenses. Sold securities of identical type were disclosed using the FIFO method. Securities are measured at market values in compliance with the Securities Act no. 600/1992 Coll., as amended. If no market values are available, the Bank estimates market values using the effective market rates for similar securities.

The Bank revalues the securities when their market values or estimated market values are lower than the cost, i.e. in case of the impairment of securities.

In accordance with Article 8 of the Accounting Procedures for Banks, the Bank created provisions for securities in line with their impairment. Bills of Exchange and cheques are measured at nominal value.





The Bank depreciated its tangible and intangible assets based on a depreciation plan for 2002. In 2002, the Bank applied the accounting depreciation of fixed assets in the amount of annual depreciation charge set forth in the Income Tax Act.

Depreciation of assets

The Bank depreciated its tangible and intangible assets based on a depreciation plan for 2002. In 2002, the Bank applied the accounting depreciation of fixed assets in the amount of annual depreciation charge set forth in the Income Tax Act. The depreciation procedures for tangible and intangible fixed assets are identical. The Bank applies the linear method of depreciation.
Low-value tangible fixed assets with an input price ranging from SKK 1,000 to SKK 20,000 and a useful life exceeding 1 year are expensed directly as of the date of their capitalisation. Low-value intangible fixed assets with an input price up to SKK 40,000 are expensed directly upon their capitalisation. Low-value tangible and intangible fixed assets are maintained in the supporting records until a decision on their disposal.

Foreign currency

Assets and liabilities denominated in a foreign currency, including receivables and payables from off-balance-sheet spot and forward transactions were converted to Slovak Crowns as at the financial statements date using the valid NBS exchange rate.
Foreign currency and interest rate derivative contracts, in the form of forwards and swaps, outstanding at the end of the year were valued at nominal value in the off-balance sheet. Unrealised gains or losses in respect of foreign currency financial instruments are recorded in the profit and loss statement based on the nature of individual contracts (exchange rate gain and/or loss).
The Bank does not account for unrealised profit/loss associated with interest rate financial instruments based on the real value of these instruments. Interest income or expense associated with these financial instruments is included in the net profit/loss evenly over the duration of the derivate by accruals recorded in other assets and liabilities.
When translating the forward transactions denominated in foreign currency the Bank applies the NBS exchange rate valid at the date of the preparation of financial statements.
Subsequently, based on the translation of the real market value of these derivates using the estimated forward exchange rates the Bank creates a reserve (in the case of unrealised loss) amounting to the difference between the real value of derivates and their value disclosed in the financial statements.

Accrued income and expenses

All expenses and income were recognised on an accrual basis.

Deloitte & Touche

Simplified Financial Statements prepared in accordance with the Slovak Accounting Standards

Auditor's Report

to the Shareholders and the Board of Directors of Komerční banka Bratislava, a. s.:

Deloitte & Touche
Slovakia spol. s r.o.
BBC Prievozská 12
Bratislava 821 09
Slovak Republic
Phone: +421 (2) 582 49 111
Fax: +421 (2) 582 49 222
www.deloitteCE.com
Commercial Register
of District Court Bratislava 1
Section: Sro
File No.: 11922/B
ID: 35700416

We have audited the statutory financial statements of Komerční banka Bratislava, a. s. ("the Bank") for the year ended 31 December 2002 prepared under Slovak Accounting Standards. We have conducted our audit in accordance with Slovak Standards on Auditing. The simplified financial statements included in the Annual Report were derived from the audited financial statements.

In our report dated 27 February 2003 we expressed an opinion that the financial statements from which the simplified financial statements included in this Annual Report were derived from, present fairly, in all material respects, the financial position of the Bank and the results of its operations.

In our opinion, the financial information included in the Annual Report is consistent with the financial statements referred to above.

For a better understanding of the Bank's financial position as of 31 December 2002, of the result of its operations for the year then ended, and the scope of our audit procedures the simplified financial statements included in the Annual Report should be read in conjunction with our auditor's report and the financial statements from which they were derived.

Bratislava, 25 March 2003

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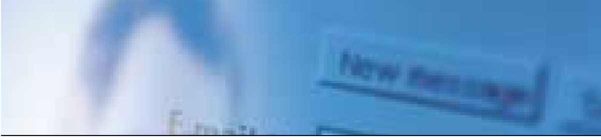
Deloitte & Touche Slovakia spol. s r.o.
Licence number SKAU 149

SLOVENSKÁ KOMORA AUDÍTOROV • evid. č. dekrétu 865 • Ing. Zuzana Letková

Zuzana Letková
Responsible Auditor
Decree number SKAU 865

Deloitte Touche Tohmatsu



Balance Sheet as of 31 December 2002 under Slovak Accounting Standards for Banks

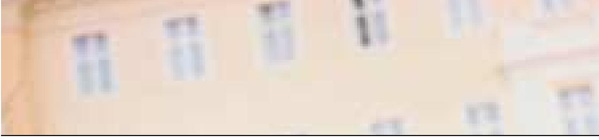
SKK thousand

ASSETS	2002	2001
Cash in hand	49,838	39,159
Cash at central bank	671,387	2,028,271
Cash at other banks	1,295,764	254,893
Bills accepted by NBS for refinancing	593,517	1,681,594
Total loans to clients	1,964,717	2,042,009
Pass loans	1,272,485	1,314,337
Current accounts – debit	182,141	113,521
Watch loans	475,966	575,897
Classified loans	34,125	38,254
Securities	800,978	1,722,544
Accounting for stock exchange entities	201	205
Shares and ownership interest	10,000	10,000
Tangible and intangible fixed assets	82,527	109,617
Other assets	450,004	88,019
Total assets	**5,918,933**	**7,976,311**

LIABILITIES AND EQUITY	2002	2001
Due to other banks	3,122,687	4,066,798
Due to clients	1,862,328	3,042,622
Reserves	101,700	96,598
Funds created from profit	55,171	21,045
Share capital and capital funds	500,000	500,000
Retained earnings from previous years	–	–
Profit from current period	18,724	34,917
Other liabilities	258,323	214,331
Total liabilities and equity	**5,918,933**	**7,976,311**

Profit and Loss Statement as of 31 December 2002 under Slovak Accounting Standards for Banks

SKK thousand	2002	2001
Net interest income	**133,687**	**153,081**
Interest income	434,037	497,873
Interest expense	(300,350)	(344,792)
Net fees and commission	**34,948**	**163,610**
Fees and commission received	40,434	167,840
Option premium received	–	106,403
Fees and commission paid	(5,486)	(4,230)
Trading profit/loss	**51,360**	**(78,526)**
Dividends from securities with variable yield	**7,836**	–
Income on financial operations	**227,831**	**238,165**
Administrative expenses	**(174,218)**	**(167,678)**
Personnel expenses	(51,430)	(57,485)
Social expenses	(13,709)	(15,371)
Depreciation	(20,214)	(23,467)
Other expenses	(88,865)	(71,355)
Extraordinary and other income, net	3,437	4,165
Administrative profit/loss	**57,050**	**74,652**
Written-off receivables	(51)	(9,717)
Changes in reserves and provisions	(38,275)	(30,018)
Profit/loss before income taxes	**18,724**	**34,917**
Income tax	–	–
Profit/loss after taxes	**18,724**	**34,917**



Statutory Bodies and Organisation Structure

Robert Kerneis

David John Lee

Jean Marc Mesure

Board of Directors

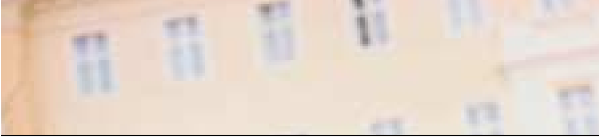
Robert Kerneis Chairman of the Board of Directors	Start of tenure: 3 April 2002
Jean-Marc Mesure Member of the Board of Directors	Start of tenure: 11 July 2002
David John Lee Member of the Board of Directors	Start of tenure: 1 December 2002

Ivan Duda	Chairman of the Board of Directors (until 3 April 2002)
Anton Halúska	Vice-Chairman of the Board of Directors (until 30 September 2002)
Marek Machácek	Member of the Board of Directors (until 10 July 2002)

Supervisory Board

Matúš Púll Chairman of the Supervisory Board	Start of tenure: 3 April 2002
Ján Lukáčik Vice-Chairman of the Supervisory Board	Start of tenure: 9 July 2001
Philippe Jean Emile Rucheton Member of the Supervisory Board	Start of tenure: 17 May 2002

Tomas Spurny	Chairman of Supervisory Board (until 3 April 2002)
Matúš Púll	Member of Supervisory Board (from 15 February until 2 April 2002)



Organisational Chart

as at 6 December 2002

General Meeting

Supervisory Board

Board of Directors → Secretariat

Chief Executive Officer (CEO) | Internal Audit and Control

Operations, Finance and Administration	Risk Management	Corporate Banking	Units Reporting to GD
Correspondent Banking	Credit Risk	Branch Bratislava	Treasury
Back Office Treasury	Methodology	Branch Banská Bystrica	Legal
Back Office Payment System	Portfolio Monitoring	Branch Košice	Marketing
Financial Control	Market Risk	Corporate Banking	Human Resources
Administration			Compliance
Information Technology			

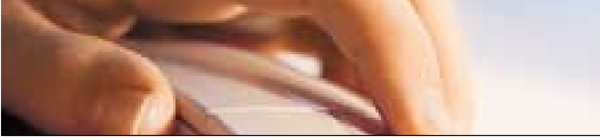
Ownership Structure

Shareholder	Ownership (%)
Komercní banka, a. s.	100
Total	**100**

Three General Meetings were held in 2002:
On 15 February 2002 the Extraordinary General Meeting of Komerční banka Bratislava, a. s. was held which adopted a decision on amending and expanding the scope of the Bank's business in compliance with Act no. 483/2001 Coll. on Banks and on amendments and supplements to certain acts.

At the annual General Meeting of Komerční banka Bratislava, a. s. held on 17 May 2002, the sole shareholder of Komerční banka, a. s. reached the following decision: On 17 May 2002 Komerční banka, a. s. as the sole shareholder exercising the powers of the General Meeting in compliance with Article 190 of Act no. 513/1991 Coll. on Commercial Code adopted the following decisions:
– acknowledged the Report by the Board of Directors on the Bank's business activities and balance of its assets for 2001,
– approved the annual financial statements for 2001 and adopted a decision on the 2001 profit distribution in the amount of SKK 34,917 thousand,
– acknowledged the Supervisory Board report,
– approved the Bank's financial statements for 2001,
– approved a Contract to act as a member of the Board of Directors of Komerční banka Bratislava, a. s. (Henri Robert Kerneis),
– appointed a member of the Bank's Supervisory Board (Philippe Jean Emile Rucheton).

The General Meeting held on 18 December 2002 amended the Articles of Association of Komerční banka Bratislava, a. s.



Report of the Supervisory Board

Throughout 2002, the Supervisory Board of Komerční banka Bratislava, a. s. performed tasks conferred on it by law and the Articles of Association of the Bank.

Based on the information provided by the Board of Directors at its meetings, the Supervisory Board regularly learned of significant economic issues, gave recommendations to the Board, and initiated solutions concerning key issues.

The financial statements of Komerční banka Bratislava, a. s. were audited by Deloitte & Touche in accordance with Slovak and International Accounting Standards. The Audit Report on the financial statements forms a part of the Annual Report of KBB for 2002.

After reviewing the financial statements of Komerční banka Bratislava, a. s. for the period from 1 January to 31 December 2002, and on the basis of the opinion issued by an external auditor, the Supervisory Board ascertains that the financial statements and records were maintained in a supporting manner, are in compliance with generally accepted regulations as well as with the Articles of Association of the Bank, and present fairly in all material respect the financial position of the Bank from all significant aspects.

The Supervisory Board recommends that the General Meeting approve the financial statements for 2002, as well as the distribution of profit for 2002, in compliance with the outcome of the Supervisory Board's meeting held on 26 March 2003, as follows: allotment to the social fund in the amount of SKK 0.5 million and to the legal reserve fund in the amount of SKK 17.2 million.

Bratislava 26 March 2003

Matúš Púll
Chairman of the Supervisory Board

Independent Auditor's Report

to the Shareholders of Komerční banka Bratislava, a. s.

Deloitte & Touche
Slovakia spol. s r.o.
BBC Prievozská 12
Bratislava 821 09
Slovak Republic
Phone: +421 (2) 582 49 111
Fax: +421 (2) 582 49 222
www.deloitteCE.com
Commercial Register
of District Court Bratislava 1
Section: Sro
File No.: 11922/B
ID: 35700416

We have audited the accompanying balance sheets of Komerční banka Bratislava, a. s. ("the Bank") as of 31 December 2002 and 2001, and the related statements of income, cash flows and changes in equity for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about 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 financial statements present fairly, in all material respects, the financial position of Komerční banka Bratislava, a. s. as of 31 December 2002 and 2001, and the results of its operations, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards.

Bratislava, 27 February 2003

Deloitte & Touche

Deloitte & Touche Slovakia spol. s r.o.

Sworn Statement

Komerční banka Bratislava, a. s. hereby declares that all information and data contained in this annual report is accurate and correct. It further confirms that this document contains all facts that may be important for decisions taken by investors.
Komerční banka Bratislava, a. s. also declares that as the date on which the annual report was compiled no negative changes had occurred in the financial situation, nor there any other changes which might have affected the accurate and correct assessment of the Bank’s financial situation.

Bratislava, 31 March 2003

Signed on behalf of the Board of Directors:

Robert Kerneis
Chairman of the Board of Directors and CEO

Jean Marc Mesure
Member of the Board of Directors
and Deputy CEO

Financial Statements

Consolidated Financial Statements and Notes prepared under International Accounting Standards (IFRS)

Balance Sheet as of 31 December 2002 and 2001

SKK thousand	Note	2002	2001
ASSETS			
Cash and balances with the National Bank of Slovakia	3	177,831	430,346
Due from financial institutions	4	1,849,318	2,006,143
Loans and advances to customers, net	5	2,196,678	1,950,734
Trading securities	6	615,881	960,013
Securities held to maturity	8	193,486	659,024
Equity shares in associated undertakings	9	66,411	50,944
Tangible and intangible assets, net	11	82,525	109,619
Prepayments, accrued income and other assets	12	49,136	27,537
Total assets		**5,231,266**	**6,194,360**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to financial institutions	13	2,754,666	2,626,711
Amounts owed to customers	14	1,646,546	2,820,642
Accrued expenses, other provisions and other liabilities	15	199,859	151,939
Total liabilities		**4,601,071**	**5,599,292**
Registered capital		500,000	500,000
Non-distributable reserves		55,135	20,717
Retained earnings		75,060	74,351
Total shareholders' equity	**17**	**630,195**	**595,068**
Total liabilities and shareholders' equity		**5,231,266**	**6,194,360**

These financial statements were approved by the Board of Directors on 25 February 2003.

Signed on behalf of the Board of Directors:

Henri Robert Kerneis
Chairman of the Board of Directors and CEO

Jean Marc Mesure
Member of the Board of Directors
and Deputy CEO

Profit and Loss Statement
For the Years Ended 31 December 2002 and 2001

SKK thousand	Note	2002	2001
Interest income	18	380,727	488,497
Interest expense	19	(258,742)	(340,957)
Net interest income		**121,985**	**147,540**
Net fees and commissions	20	51,659	82,649
Net profit/(loss) on financial operations	21	26,136	(8,980)
Income from share of associated undertakings	9	24,685	26,983
Other income and expense, net	22	(1,145)	1,461
Operating income		**223,320**	**249,653**
Administrative expenses	23	(136,462)	(129,925)
Depreciation and other provisions (except provisions for losses from loans and off balance sheet items)	10, 11	(19,976)	(28,436)
Profit before provisions for loan losses and income taxes		**66,882**	**91,292**
Provisions for losses from loans and guarantees	10	(28,052)	(27,664)
Profit before income taxes		**38,830**	**63,628**
Income taxes	24	(3,703)	(6,142)
Net profit		**35,127**	**57,486**
Earnings per share (in SKK)		**7,025**	**11,497**

Statement of Changes in Equity For the Years Ended 31 December 2002 and 2001

SKK thousand	Registered capital	Reserves	Retained earnings	Total
Closing Balance at 31 December 2000	**500,000**	**311**	**34,876**	**535,187**
Impact of adoption of IFRS 39	–	–	6,684	6,684
Opening balance at 1 January 2001	**500,000**	**311**	**41,560**	**541,871**
Allocation/distribution	–	20,406	(20,406)	–
Financial instruments adjustment	–	–	(4,289)	(4,289)
Profit for the current period	–	–	57,486	57,486
Closing balance at 31 December 2001	**500,000**	**20,717**	**74,351**	**595,068**
Allocation/distribution	–	34,418	(34,418)	–
Financial instruments adjustment	–	–	–	–
Profit for the current period	–	–	35,127	35,127
Closing balance at 31 December 2002	**500,000**	**55,135**	**75,060**	**630,195**
	(Note 17)	(Note 17)		

Cash Flow Statement
For the Years Ended 31 December 2002 and 2001

SKK thousand	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Received interest, fees and commissions	468,086	539,458
Paid interest, fees and commissions	(289,583)	(363,131)
Cash flow from financial operations	60,847	(34,315)
Personnel expenses	(75,599)	(73,436)
Other operating expenses	(62,414)	(66,206)
Other income	–	656
Cash flow before changes in operating assets and liabilities	**101,337**	**3,026**
Decrease in amounts due from financial institutions	165,494	802,940
Increase in loans and advances to customers	(266,879)	(428,306)
Decrease (increase) in trading securities	321,358	(271,042)
Decrease (increase) in prepayments, accrued income and other assets	440	9,283
Decrease (increase) of operating assets	**220,413**	**112,875**
Increase (decrease) in amounts owed to financial institutions	135,966	(1,082,369)
Increase (decrease) in amounts owed to customers	(1,175,898)	1,033,055
Increase (decrease) in accrued expenses, other provisions and other liabilities	(7,772)	(75,353)
Increase (decrease) of operating liabilities	**(1,047,704)**	**(124,667)**
Cash flow from operating activities before tax	**(725,954)**	**(8,766)**
Paid income tax	(1,383)	(6,142)
Net cash flow from operating activities	**(727,337)**	**(14,908)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Received dividends	9,219	–
Decrease (increase) in held to maturity securities	460,301	324
Proceeds from sale of premises and equipment	8,883	21,792
Purchase of premises and equipment	(3,581)	(10,808)
Net cash used in investing activities	**474,822**	**11,308**
Net decrease in cash and cash equivalents	**(252,515)**	**(3,600)**
Cash and cash equivalents at the beginning of the year	**430,436**	**433,946**
Cash and cash equivalents at the end of the year	**177,831**	**430,346**

Notes to the Financial Statements prepared in accordance with International Financial Reporting Standards For the Year Ended 31 December 2002

1. Principal activities

Komerční banka Bratislava, a. s. (the "Bank") is a wholly owned subsidiary of Komerční banka Prague, a. s. (the "Parent Bank") holding a universal banking licence from the National Bank of Slovakia (the "NBS") and carrying out business in the Slovak Republic. The Bank was founded on 19 January 1995 and incorporated on 1 June 1995. It started business on 2 September 1995.

The core business of the Bank includes providing a wide range of banking and financial services to business entities, in particular to large and medium-sized businesses, individuals and institutional clients.

The registered office address of the Bank is Medená 6, 811 02, Bratislava, Slovak Republic. The Bank has three branches in the Slovak Republic.

The Bank has 115 employees as of 31 December 2002 (31 December 2001: 145 employees).

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

A. Basis of accounting and preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') effective for the period ending 31 December 2002. The financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and they are reported in the financial statements of the periods to which they relate, and on the going concern assumption. The consolidated financial statements include a balance sheet, a profit and loss statement, a statement of changes in shareholders' equity, a cash flow statement and notes to the financial statements. In certain instances, the reported amounts relating to the previous accounting period have been restated for comparison purposes.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts.

The Bank maintains its accounting records in accordance with the accounting principles valid for banks in the Slovak Republic. The accompanying financial statements are based on the accounting records of the Bank and are adjusted appropriately for the purposes of fair presentation in accordance with IFRS as prescribed by the International Financial Reporting Standards Committee. The reconciliation of shareholder equity and profit for the year reported under Slovak accounting principles to shareholders' equity and profit for the year reported under IFRS is shown in Note 26.

The presentation of financial statements in conformity with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as of the date of the financial statements and actual results could differ from those estimates.

The reporting currency used in the consolidated financial statements is the Slovak Crown ('SKK') with accuracy to SKK thousand.

B. Foreign currencies

Assets and liabilities denominated in foreign currencies are converted into SKK and reported in the financial statements at the exchange rate declared by the National Bank of Slovakia ("NBS") prevailing as of the balance sheet date. Income and expenses denominated in foreign currencies are recorded in Slovak Crowns in the underlying accounting system of the Bank and are therefore reported in the financial statements as re-converted at the official exchange rate prevailing as of the date of the transaction. Gains and losses arising from movements in exchange rates after the date of the transaction are recognised in *Net profit/(loss) on financial operations.*

C. Cash and cash equivalents

Cash and cash equivalents include only unrestricted amounts of cash immediately available and highly-liquid investments with the original maturity up to 24 hours. Such amounts include reserve deposits with the NBS as they can be withdrawn for liquidity purposes. However, their availability is subject to a penalty interest charge of 17.09% by the NBS when the required average level of reserve deposits with the NBS is not complied with as of the balance sheet date.

D. Loans and provisions for loan default

Loans granted by the Bank by providing money directly to a borrower are categorised as such and are shown at amortised cost. All loans and advances are recognised when cash is advanced to borrowers.

Loans and advances to customers and financial institutions are stated net of provisions for loan losses. A credit risk provision for loan default is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the outstanding amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception. Specific provisions are assessed with reference to the credit standing and performance of the borrower and take into account the value of any collateral or third party guarantees.

The Bank charges penalty interest to borrowers when a portion of the loan falls overdue. Pursuant to the Bank's internal policies, the collateral set aside against the loan of the borrower does not cover penalty interest. Penalty interest is accounted for on a cash basis in *Interest income*.

A general provision for loan default is established to cover losses that are judged by the management of the Bank to be present in the loan portfolio as of the balance sheet date, but which have not been allocated to specific or individual exposures.

The Bank writes off loss loans when clients are unable to fulfil their obligations to the Bank in respect of these loans. The loan is written off against the related provision for loan default. Subsequent recoveries are credited to the profit and loss statement in *Provisions for losses from loans and guarantees* if previously written off.

E. Securities

Securities held by the bank are categorised into portfolios in accordance with the Bank's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy. On the adoption of IFRS 39 in 2001, the Bank developed security investment strategies and, reflecting the intent of the acquisition, allocated securities to 'Trading securities' and Investment securities to the 'Available for sale' portfolio and the 'Held to maturity' portfolio. The principal difference among the portfolios relates to the approach to the measurement of securities and the recognition of their fair values in the financial statements.

All securities held by the Bank are accounted for using settlement date and are evaluated at their purchase price including transaction costs.

a) Trading securities

Trading securities are financial assets (equity and debt securities, treasury bills, participation certificates) acquired by the Bank for the purpose of generating a profit from short-term fluctuations in prices. Subsequent to the initial accounting, these securities are accounted for and stated at fair value which approximates the price quoted (mid price, that is, the average between bid and offer) on recognised stock exchanges. The Bank

monitors changes in fair values of securities on a monthly basis and includes unrealised gains and losses in *Net profit/(loss) on financial operations*. Interest earned on trading securities is accrued on a daily basis and reported as *Interest income* in the statement of profit and loss. Dividends on trading securities are recorded when declared and included as a receivable in the balance sheet line *Prepayments, accrued income and other assets* and in *Net profit/(loss) on financial operations* in the statement of profit and loss.
All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date. Otherwise such transactions are treated as derivatives until settlement occurs.

b) Investments held to maturity
Investments held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity. This portfolio comprises treasury bills and debt securities, including asset-backed securities. Held to maturity investments are carried at amortised cost using the effective yield method, less any provision for default.
The Bank assesses on a yearly basis whether there is any objective evidence that an investment held to maturity may have decreased in value. A financial asset is decreased in value if its residual amount is greater than its estimated recoverable amount. The amount of the decrease in value for assets held at amortised cost is calculated as the difference between the asset's residual amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate.

c) Available for sale securities
Available for sale securities are those financial assets that are not classified as financial assets held for trading or held-to-maturity investments. This portfolio comprises equity securities and debt securities. Available-for-sale financial assets are subsequently re-measured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes on the fair value of securities classified as available-for-sale are recognised as they arise in the profit and loss statement in the line *Net profit/(loss) on financial operations*. Interest earned whilst holding available-for-sale securities is accrued on a daily basis and reported as *Interest income* in the statement of profit and loss. Dividends on securities available for sale are recorded as declared and included as a receivable in the balance sheet line *Prepayments, accrued income and other assets* and in *Net profit/(loss) on financial operations* in the statement of profit and loss. Upon payment of the dividend, the receivable is offset against the collected cash.

F. Equity shares in associated undertakings
Equity shares in associated undertakings are recorded using the equity method of accounting. This method involves recognising the difference between the cost and the Bank's share of the associate's equity as of the end of the current period in the statement of profit and loss. The Bank reduces the carrying value of its equity shares in associated undertakings when a permanent diminution in value has occurred.

G. Tangible and intangible fixed assets
Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation together with accumulated impairment losses. Fixed assets are depreciated through the accumulated depreciation charge. Depreciation is calculated on a straight-line basis to write off the cost of each asset to their residual values over their estimated useful economic life. Land and assets in the course of construction are not depreciated.

The estimated useful economic lives in years are set out below:

Machinery and equipment, computers, vehicles	4
Fixtures, fittings and equipment	4 – 8
Energy machinery and equipment	8 – 15
Goodwill	15
Buildings and structures	30 – 40

Gains and losses on the disposal of fixed assets are determined by reference to their residual amount and are recognised in the statement of profit and loss in the year of disposal. Low value fixed assets and repairs in the nature of technical improvements costing less than SKK 20,000 in the case of tangible fixed assets and SKK 40,000 in the case of intangible fixed assets with an estimated useful life greater than one year are charged to the statement of profit and loss when the expenditure is incurred. Technical improvements costing more than SKK 20,000 in respect of tangible fixed assets and more than SKK 40,000 in respect of intangible fixed assets increase the acquisition cost of the fixed asset.

Where the residual amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their residual amount. The largest components of the Bank's assets are periodically tested for decreases in value and temporary decreases are provisioned. Repairs and renewals are charged to the statement of profit and loss when the expenditure is incurred.

H. Provision for guarantees and other off balance sheet credit related commitments

In the normal course of business, the Bank enters into credit related commitments, which are recorded in off balance sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments. Specific provisions are made for estimated losses on these commitments on the same basis as set out in note 2 D. The Bank makes a general provision for risks that are judged by the management of the Bank to be present at the balance sheet date, but which have not been allocated to specific or individual exposures.

I. Provisions

Provisions are recognised, when the Bank has a present legal or constructive 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.

J. Recognition of income and expense

Interest income and expense are recognised in the statement of profit and loss for all interest bearing instruments on an accrual basis. Interest income includes coupons earned on fixed income investments and trading securities and accrued discount and premium on treasury bills and other discounted instruments. The Bank accrues interest on non-performing loans with appropriate provisions against them being included in the specific provisions. Fees and commissions are recognised as income in the statement of profit and loss when due.

K. Taxation and deferred taxation

Taxation is calculated in accordance with the provisions of the relevant legislation of the Slovak Republic, based on the profit or loss recognised in the statement of profit and loss prepared pursuant to Slovak accounting standards.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation on property, plant and equipment, specific and general provisions for loans and tax losses carried forward. Deferred tax assets in respect of tax losses carried forward and other temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

L. Sale and repurchase agreements

Securities sold under sale and repurchase agreements ('repos') are recorded as assets in the balance sheet line *Trading securities* and the counterparty liability is included in *Amounts owed to financial institutions* or *Amounts owed to customers* as appropriate. Securities purchased under agreements to purchase and resell ('reverse repos') are recorded as assets in the balance sheet line *Due from financial institutions or Loans and advances to customers, net* as appropriate, with the corresponding decrease in cash being included in *Cash and balances with the National Bank*. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the sale and repurchase agreement.

M. Derivative financial instruments and hedging

In the normal course of business, the Bank is party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency swaps. These financial instruments are used by the Bank to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in other financial instruments, such as the conversion option in a convertible bond, and are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in income.

Changes in the fair value of derivatives held for trading are included in the line *Net profit/(loss) on financial operations*.

On the date a derivative contract is entered into, the Bank designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge) or (2) 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 certain criteria are met.

The Bank's criteria for a derivative instrument to be accounted for as a hedge include:

a) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
b) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period;
c) the hedge is effective on an ongoing basis.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the statement of profit and loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the residual value of a hedged interest-bearing financial instrument is amortised to net profit and loss over the period to maturity. The adjustment to the residual amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the hedging reserve in equity. Otherwise, amounts deferred in equity are transferred to the statement of profit and loss and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the profit and loss statement.
Certain derivative transactions, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules in IFRS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income in line *Net profit/(loss) on financial operations*.

N. Regulatory requirements

The bank is subject to the regulatory requirements of the NBS. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments and provisioning to cover credit risk, liquidity and foreign currency position. These requirements apply to all banks in Slovakia and the compliance is determined based on the Bank's financial reporting procedures under Slovak statutory accounting and banking regulations.
The restrictions include:

- Capital adequacy is to be at least 8% of risk-weighted assets;
- Capital must be maintained at a minimum level of SKK 500 million;
- The ratio between assets with maturity up to 7 days and liabilities with maturity up to 7 days has to be at least "1.0" (valid since the 1st of September 2002);
- Net credit exposure to one loan customer may not exceed 25% of the Bank's capital (see Note 5);
- Net credit exposure to one domestic bank, and to a bank registered in states of "zone A" based bank may not exceed 125% of the Bank's capital;
- Net credit exposure to a related party may not exceed 20% of the Bank's capital;
- Net credit exposure limits above do not apply to the Slovak Government, the NBS, and banks and Governments of the "zone A" countries;
- Total of all net credit exposures exceeding 10% of the Bank's capital cannot exceed 800% of the reporting Bank's capital;
- Exposure in EUR and in another foreign currency cannot exceed 15% and 10% of the Bank's capital, respectively;
- Overall daily foreign currency exposure is capped at 25% of the Bank's capital.

The Bank's capital defined for the purpose of these requirements includes registered capital, non-distributable reserves, retained earnings less goodwill and certain equity investments from other companies and banks as reported under Slovak generally accepted accounting principles.

O. Reclassifications

Certain reclassifications have been made to the 2001 balances to conform to the 2002 presentation.

3. Cash and balances with the National Bank of Slovakia

Cash and balances with the National Bank of Slovakia are comprised of the following:

SKK thousand	2002	2001
Accounts with the National Bank of Slovakia	77,870	346,864
Current accounts with other banks	50,123	44,323
Cash in hand	49,838	39,159
Total	**177,831**	**430,346**

Accounts with the National Bank of Slovakia are comprised of the following:

SKK thousand	2002	2001
Legal minimum reserves	77,652	126,334
Current deposits	218	493
Term deposits	–	220,037
Total	**77,870**	**346,864**

The amount of legal minimum reserves is set by the NBS guidelines – it represents 4% of the average amount of deposits for the relevant month (in 2001: 5%).
As at 31 December 2002, the Bank complied with the required levels of legal minimum reserves. Legal minimum reserves bear interest at 1.5% (31 December 2001: 1.5%).
As at 31 December 2002 current deposits with other banks bear interest between 0.0% and 5.0% p.a. (31 December 2001: between 0.0% and 5.0% p.a.).

4. Due from financial institutions

Receivables from other financial institutions include:

SKK thousand	2002	2001
Advances due from the National Bank of Slovakia	594,749	1,684,602
Advances due from other banks	–	110,713
Term deposits in banks	1,254,569	210,828
Total	**1,849,318**	**2,006,143**

Advances due from the National Bank of Slovakia are collateralised by the NBS treasury bills and bear interest 6.5% p.a. (31 December 2001: 7.8% p.a.).
Term deposits in other banks bear interest at rates varying between 1.3% and 7.75% p.a. (31 December 2001: between 2.2% and 11.2% p.a.).

5. Loans and advances to customers, net

Loans by type:

SKK thousand	2002	2001
Loans and advances to clients	2,050,784	1,990,380
Bills of exchange	2,047	92,233
Other	313,108	12,481
Total	**2,365,939**	**2,095,094**
Less: provisions and reserves (Note 10)	(169,261)	(144,360)
Loans and advances to customers, net	**2,196,678**	**1,950,734**

Loans, collateral values and provisions by classification:

31 December 2002

SKK thousand	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions %
Standard	1,771,207	328,483	1,442,724	–	1,442,724	–
Watch	475,859	–	475,859	–	475,859	–
Substandard	46,615	–	46,615	(13,990)	32,625	30
Doubtful	2,047	1,500	547	(547)	–	100
Loss	70,211	–	70,211	(70,211)	–	100
Total	**2,365,939**	**329,983**	**2,035,956**	**(84,748)**	**1,951,208**	**3,6**
General reserves for loan losses				(84,513)	(84,513)	–
Total				**(169,261)**	**1,866,695**	**7,2**

31 December 2001

SKK thousand	Gross receivable	Collateral applied	Net exposure	Provisions	Carrying value	Provisions %
Standard	1,430,369	114,693	1,315,676	–	1,430,369	–
Watch	573,470	–	573,470	–	573,470	–
Substandard	22,767	–	22,767	(8,986)	13,781	39
Doubtful	68,488	–	68,488	(44,014)	24,474	64
Loss	–	–	–	–	–	–
Total	**2,095,094**	**114,693**	**1,980,401**	**(53,000)**	**2,042,094**	**2,5**
General reserves for loan losses				(91,360)	(91,360)	–
Total				**(144,360)**	**1,950,734**	**6,9**

Set out below is an analysis of types of collateral underlying loans and advances to customers:

SKK thousand	2002 Total client loan collateral	2002 Discounted client loan collateral value	2002 Applied client loan collateral value	2001 Total client loan collateral	2001 Discounted client loan collateral value	2001 Applied client loan collateral value
Bank guarantee	–	–	–	4,847	2,908	–
Deposits	15,375	15,375	–	114,693	114,693	114,693
State bonds	313,108	313,108	313,108	–	–	–
Issued debentures in pledge	251,645	75,494	–	52,887	15,866	–
Pledge of real estate	702,154	144,431	1,500	1,128,154	225,631	–
Pledge of movable assets	418,800	41,880	–	390,006	100,215	–
Guarantee by corporate entity	202,666	20,875	–	71,652	16,112	–
Pledge of receivables	1,028,366	411,346	–	804,885	295,791	–
Other	552,755	126,166	–	456,602	40,035	–
Total nominal value of collateral	**3,484,869**	**1,148,675**	**329,983**	**3,023,726**	**811,251**	**114,693**

In 2002, the Bank wrote off doubtful receivables from interest and overdrafts in the amount of SKK 54 thousand (31 December 2001: SKK 862 thousand).

Loans by industry:

SKK thousand	2002	2001
Trade and service activities	478,062	459,807
Financial leasing	206,504	364,271
Manufacturing industry	360,456	321,000
Wood processing and paper production	149,778	146,290
Mining industry	150,536	139,000
Engineering	45,810	132,208
Chemical industry	165,593	107,695
Electrical engineering	177,662	94,120
Textile industry	12,558	34,486
Transport and infrastructure	39,229	16,615
Agriculture industry	254,877	–
Construction industry	2,464	–
Other industries	322,410	279,602
Total	**2,365,939**	**2,095,094**
Less: provisions and reserves (Note 10)	(169,261)	(144,360)
Loans and advances to customers, net	**2,196,678**	**1,950,734**

In extending new loans, the Bank is subject to the NBS regulations relating to net credit risk (defined as the total of all existing receivables and accrued income less collateral values).

As of 31 December 2002, the Bank's gross credit exposure of its non-bank clients with a net credit risk exposure in excess of 10% of the Bank's capital was SKK 1,397,850 thousand (31 December 2001: SKK 1,353,061 thousand). There was no credit exposure in excess of 25% of the Bank's capital as of 31 December 2002.

Loans to related parties as of 31 December 2002 and as of 31 December 2001 are as disclosed in Note 32.

In 2002, loans bore interest at rates varying between 3.21% and 14.0% per annum (31 December 2001: between 5.5% and 14.5% p.a.).

General reserve for risks and uncertainties inherent in the loan portfolio

The Bank's loan portfolio includes a number of risks that cannot be specifically identified as such. As of 31 December 2002, the Bank maintains a general reserve of SKK 84,513 thousand to cover the risks, which may be present in the loan portfolio as of that date (primarily pass and watch loans) but which cannot be allocated to individual exposures (31 December 2001: SKK 91,360 thousand).

6. Trading securities

Trading securities are comprised of the following:

SKK thousand	2002 Fair value	2002 Cost	2001 Fair value	2001 Cost
State bonds	569,241	571,753	874,382	881,206
Financial institutions bonds	–	–	–	–
Corporate shares and bonds	–	–	–	–
Accrued interest	46,640	5,882	85,631	26,411
Total trading securities	**615,881**	**577,635**	**960,013**	**907,617**

Included in the trading securities portfolio are state bonds with cost of acquisition amounting to SKK 571,753 thousand (31 December 2001: SKK 881,206 thousand); all such bonds are quoted on the stock exchange in Bratislava – Burza cenných papierov v Bratislave, a. s. issued in Slovak Crowns, with fixed interest rate (31 December 2001: all quoted, in Slovak Crowns, with fixed interest rates).
As of 31 December 2002, trading securities bore interest at rates varying between 7.5% and 12.0% p.a. (31 December 2001: between 7.7% and 12.0% p.a.).

7. Securities available for sale

SKK thousand	2002 Fair value	2002 Cost	2001 Fair value	2001 Cost
Shares	–	452	–	452
Corporate bonds	–	39,400	–	39,400
Total securities available for sale	**–**	**39,852**	**–**	**39,852**

Bankruptcy proceedings have been declared for all issuers of corporate bonds which the bank holds at 31 December 2002 and 31 December 2001.

8. Securities held to maturity

Securities held to maturity include:

SKK thousand	2002 Recognised value	2002 Cost	2001 Recognised value	2001 Cost
State bonds	184,802	184,802	188,902	188,902
Treasury bills	–	–	456,201	456,201
Accrued interest and amortisation	8,684	–	13,921	–
Total securities held to maturity	**193,486**	**184,802**	**659,024**	**645,103**

State bonds held to maturity bear interest at rates varying between 7.5% and 8.5% per annum (31 December 2001: between 7.5% and 8.5%).
State bonds of the Slovak Republic in the amount of SKK 164,802 thousand held as of 31 December 2002 have been issued in EUR and are not quoted. Other state bonds have been issued in Slovak Crowns and are listed on the Stock Exchange in Bratislava – Burza cenných papierov v Bratislave, a. s. (31 December 2001: SKK 168,902 thousand).
Treasury bills held at 31 December 2001 comprise NBS treasury bills purchased on the primary market, with the residual contractual maturity up to three months (SKK 446,612 thousand including interest) and state treasury bills purchased on a secondary market, with the residual contractual maturity up to one year (SKK 14,850 thousand including interest).

9. Equity shares in associated undertakings

Equity shares in associated undertakings include:

SKK thousand Name of the company	Activity	Auditor	2002	2001
CAC Leasing Slovakia, a. s.	leasing	Deloitte & Touche spol. s r.o.	66,411	50,944
Total			**66,411**	**50,944**

The effect of consolidation of CAC Leasing Slovakia, a. s. on retained earnings and its contribution to income is as follows:

Description	Retained earnings		Profit	
SKK thousand	2002	2001	2002	2001
Consolidation equity method	56,411	40,944	24,685	26,983
Income tax on received dividends	–	–	(1,383)	–
Deferred tax on consolidation surplus	(8,462)	(6,142)	(2,320)	(6,142)
Total effect	**47,949**	**34,802**	**20,982**	**20,841**

The Bank owns a 20% (2001: 20%) shareholding in CAC Leasing Slovakia, a. s. The Group of Komerční Banka holds the interest of 50% (31 December 2001: 50%) in CAC Leasing Slovakia, a. s.

During 2002 the Bank received the dividends from these equity shares amounting to SKK 9,218 thousand (2001: SKK 0) less withholding tax SKK 1,383 thousand.

The Bank provided a loan to this company and its balance amounts to SKK 40,291 thousand as at 31 December 2002 (31 December 2001: SKK 50,195 thousand).

A list of transactions and balances of the Bank with its related parties is further described in Note 32.

10. Provisions for losses from assets and off-balance sheet items

The movements in provisions in 2002 and 2001 were as follows:

SKK thousand	Loans	Guarantees and loan commitments	Subtotal for loans, guarantees and loan commitments	Premises and equipment	Other assets	Other provisions	Subtotal for premises and equipment, other assets and other	Total
At 1 January 2001	**120,021**	**1,177**	**121,198**	**–**	**17,394**	**357**	**17,751**	**138,949**
Provisions and reserves recognised in statement of profit and loss, net	28,649	(985)	27,664	1,655	(95)	1,375	2,935	**30,599**
Effect of written-off and ceded receivables	(4,554)	–	(4,554)	–	(5,163)	–	(5,163)	**(9,717)**
Net foreign exchange gains/losses	244	–	244	–	–	–	–	**244**
At 31 December 2001	**144,360**	**192**	**144,552**	**1,655**	**12,136**	**1,732**	**15,523**	**160,075**
Provisions and reserves recognised in statement of profit and loss, net	24,952	3,100	28,052	(1,655)	(390)	(227)	(2,272)	**25,780**
Effect of written-off and ceded receivables	(51)	–	(51)	–	–	–	–	**(51)**
Net foreign exchange gains/losses	–	–	–	–	–	–	–	–
At 31 December 2002	**169,261**	**3,292**	**172,553**	**–**	**11,746**	**1,505**	**13,251**	**185,804**
	(Note 5)	(Note 15)		(Note 11)	(Note 12)	(Note 15)		

11. Tangible and intangible assets, net

The movements during the current year are:

SKK thousand	Intangible fixed assets	Goodwill	Land	Buildings	Machinery, fittings and fixtures	Acquisition of assets	Total
Cost at 1 January 2001	20,166	29,491	4,331	66,511	139,935	10,974	**271,408**
Additions (+)	12,760	–	–	48	7,035	10,808	**30,651**
Disposals (-)	(30)	–	–	(20,769)	(3,927)	(19,964)	**(44,690)**
Cost at 31 December 2001	**32,896**	**29,491**	**4,331**	**45,790**	**143,043**	**1,818**	**257,369**
Accumulated depreciation at 1 January 2001	14,722	11,177	–	3,334	95,221	–	**124,454**
Depreciation (+)	4,609	2,035	–	1,128	17,729	–	**25,501**
Net book value written off at sale	–	–	–	–	97	–	**97**
Disposals	(30)	–	–	–	(3,927)	–	**(3,957)**
Provisions for losses	–	–	583	1,072	–	–	**1,655**
Accumulated depreciation at 31 December 2001	**19,301**	**13,212**	**583**	**5,534**	**109,120**	**–**	**147,750**
Net book value at 31 December 2001	**13,595**	**16,279**	**3,748**	**40,256**	**33,923**	**1,818**	**109,619**
Cost at 1 January 2002	32,896	29,491	4,331	45,790	143,043	1,818	**257,369**
Additions (+)	982	–	–	–	3,991	3,581	**8,554**
Disposals (-)	(52)	–	(961)	(10,193)	(8,445)	(4,973)	**(24,624)**
Cost at 31 December 2002	**33,826**	**29,491**	**3,370**	**35,597**	**138,589**	**426**	**241,299**
Accumulated depreciation at 1 January 2002	19,301	13,212	583	5,534	109,120	–	**147,750**
Depreciation (+)	5,070	2,035	–	998	14,145	–	**22,248**
Net book value written off at sale	–	–	–	9,121	–	–	**9,121**
Disposals	(52)	–	–	(10,193)	(8,445)	–	**(18,690)**
Provisions for losses	–	–	(583)	(1,072)	–	–	**(1,655)**
Accumulated depreciation at 31 December 2002	**24,319**	**15,247**	**–**	**4,388**	**114,820**	**–**	**158,774**
Net book value at 31 December 2002	**9,507**	**14,244**	**3,370**	**31,209**	**23,769**	**426**	**82,525**

12. Prepayments, accrued income and other assets

Prepayments, accrued income and other assets are comprised of:

SKK thousand	2002	2001
Prepaid expenses and accrued revenues	1,832	1,708
Other assets	22,930	23,909
Positive fair value of derivative transactions	35,705	14,056
Settlement account balances	415	–
Less: provisions (Note 10)	(11,746)	(12,136)
Total	**49,136**	**27,537**

13. Amounts owed to financial institutions

Amounts due to financial institutions are comprised of:

SKK thousand	2002	2001
Term accounts of other banks	2,525,350	2,303,961
Deposits of other financial institutions	220,947	229,011
Loans received from other banks	7,561	92,618
Current accounts of other banks	808	1,121
Total	**2,754,666**	**2,626,711**

Current accounts of other banks bear interest at rates varying between 0% and 2.0% p.a. (31 December 2001: between 1.5% and 5.0% p.a.).
Term deposits received from other banks bear interest at rates varying between 2.75% and 8.1% p.a. (31 December 2001: 1.8% and 7.7% p.a.).
Other financial institution deposits amounting to SKK 220,947 thousand at 31 December 2002 represent a short-term loan received from Eximbanka to provide specific purpose loans to finance exports by customers of the Bank (31 December 2001: SKK 228,000 thousand represent a short-term loan received from Eximbanka with the same specific purpose as in 2002).

14. Amounts owed to customers

Amounts owed to customers are comprised of:

SKK thousand	2002	2001
Current accounts	799,511	1,445,904
Term deposits	765,672	1,311,807
Saving accounts	81,363	62,931
Total	**1,646,546**	**2,820,642**

Current accounts represent customer deposits payable upon request. As of 31 December 2002, they bear interest at rates varying between 0.1% and 2.25% p.a. (31 December 2001: 0.5% and 4.3% p.a.).
Term deposits include customer funds with specified maturity date. As of 31 December 2002, term deposits bear interest at rates varying between 0.15% and 6.8% p.a. depending on the amount and the maturity of the deposit (as of 31 December 2001: 1.8% and 8.1% p.a.).
Amounts owed to customers by type of customer:

SKK thousand	2002	2001
Private businesses	764,934	1,511,883
Individuals	647,315	562,482
Government authorities	–	300,295
Other financial institutions	628	256,011
Non-residents	94,674	94,556
Insurance companies	90	70,033
Entrepreneurs – individuals	135,317	20,403
Public administration	–	32
Bills of exchange	–	–
Other	3,588	4,947
Total	**1,646,546**	**2,820,642**

15. Accrued expenses, other provisions and other liabilities

Accrued expenses, other provisions and other liabilities include:

SKK thousand	2002	2001
Settlement account balances	296	4,116
Payments transferred to clearing centre	7,117	912
Other accounts payable to clients	86,289	86,394
Other accounts payable	4,940	19,470
Accrued expenses	16,515	13,586
Other provisions and reserves (Note 10)	1,505	1,732
Provisions for guarantees (Notes 10 and 28)	3,292	192
Negative fair value of derivative transactions	71,443	19,395
Deferred tax (Notes 25)	8,462	6,142
Total	**199,859**	**151,939**

16. Estimated fair value of assets and liabilities of the Bank

Fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly impact the estimates. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.
In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used:

a) Cash and balances with central banks

The residual values of cash and balances with central banks are generally deemed to approximate their fair value.

b) Investments held to maturity

Fair values of securities carried in the 'Held to maturity' portfolio are calculated by discounting future cash flows using prevailing market rates.

c) Due from financial institutions

The estimated fair value of amounts due from financial institutions that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts due from financial institutions is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from financial institutions is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral. Provisions are not taken into consideration when calculating fair values.

d) Loans and advances to customers

The fair value of variable yield loans that regularly reprice, with no significant change in credit risk, generally approximates their residual value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as of the balance sheet date. Provisions are not taken into consideration when calculating fair values.

e) Amounts due to financial institutions and customers

The fair value of term deposits payable on demand represents the residual value of amounts payable on demand as of the balance sheet date. The fair value of term deposits at variable interest rates approximates their carrying values as of the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities. The weighted average remaining maturity of deposits at fixed interest rates is short and hence their fair value approximates the carrying values as of the balance sheet date.

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

SKK thousand	2002 Residual value	2002 Fair value	2001 Residual value	2001 Fair value
Financial assets				
Cash and balances with the National Bank of Slovakia	177,831	177,831	430,346	430,346
Due from financial institutions	1,849,318	1,849,318	2,006,143	2,006,143
Loans and advances to customers, net	2,196,678	2,196,678	1,950,734	1,950,734
Securities held to maturity	193,486	208,527	659,024	671,419
Financial liabilities				
Amounts owed to financial institutions	2,754,666	2,754,666	2,626,711	2,626,711
Amounts owed to customers	1,646,546	1,646,546	2,820,642	2,745,215

17. Shareholders' equity

Registered capital consists of 5,000 approved and fully paid shares with a par value of SKK 100,000 per share. Reserves represent reserves apportioned from profits in accordance with the legal requirements or decisions of General Meeting of Shareholders.

18. Interest income

Interest income is comprised of:

SKK thousand	2002	2001
Interest income received from:		
Loans extended to clients	178,545	192,204
Loans and deposits with financial institutions	119,925	168,084
Fixed income securities	60,438	90,367
Treasury bills	21,819	37,842
Total	**380,727**	**488,497**

19. Interest expense

Interest expense is comprised of:

SKK thousand	2002	2001
Interest paid on:		
Loans and deposits of financial institutions	165,841	232,518
Amounts owed to customers	92,901	108,439
Total	**258,742**	**340,957**

20. Net fees and commissions

Fees and commissions consist of:

SKK thousand	2002	2001
Fees and commissions income	76,291	102,930
Fees and commissions expense	(24,632)	(20,281)
Total	**51,659**	**82,649**

21. Net profit/(loss) on financial operations

Profit/(loss) on financial operations consists of:

SKK thousand	2002	2001
Profit/(loss) from interest rate swaps – trading	(3,962)	1,272
Profit/(loss) from foreign currency trading	(9,690)	(6,729)
Profit/(loss) from securities	39,788	(3,523)
Total	**26,136**	**(8,980)**

22. Other income and expense, net

Other income and expense comprises:

SKK thousand	2002	2001
Gain/(loss) on sale of assets	(1,488)	987
Other income	1,044	1,217
Other expense	(701)	(743)
Total	**(1,145)**	**1,461**

23. Administrative expenses

Administrative expenses are comprised of:

SKK thousand	2002	2001
Wages and salaries	59,770	57,485
Social costs	14,279	15,951
Other administrative costs	62,413	56,489
Total	**136,462**	**129,925**

24. Income taxes

The major components of corporate income tax expense are as follows:

SKK thousand	2002	2001
Current tax expense	1,383	–
Deferred tax movement	2,320	6,142
Total income tax expense	**3,703**	**6,142**

The corporate tax rate for 2002 is 25% (2001: 29%). The effective tax rate as of 31 December 2002 is 9.5% (2001: 9.7%). The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

SKK thousand	2002	2001
Profit/(loss) before tax (current tax rate)	14,145	36,645
Profit before tax (special tax rate)	24,685	26,983
Profit before tax	**38,830**	**63,628**
Theoretical tax credit calculated at a tax rate of 25% (2001: 29%) and 15%, respectively	**7,239**	**14,675**
Income not taxable, primarily interest	(39,057)	(52,836)
Expenses not deductible for tax purposes	23,531	36,341
Out of that:		
– Provisions for loan losses	13,596	19,701
– Other non-deductible costs	9,935	16,640
Other	9,670	1,820
Movement on deferred tax	2,320	6,142
Total income tax expense	**3,703**	**6,142**

The Bank's tax liability is calculated based upon the accounting profit/(loss) taking into account tax non-deductible expenses and tax exempt income or income subject to the final tax rate.
The current statutory income tax rate is 25% (in 2001: 29%). As a result of the tax loss position, no tax liability has been recorded. The amount of current tax expense represents withholding tax from dividends received in 2002.
Further information about deferred tax is presented in Note 25.

25. Deferred income taxes

Deferred income taxes are calculated on all temporary differences, except revaluation of the equity share in associated undertakings, under the liability method using a principal tax rate effective for the following year that is 25% (2001: 25%). The deferred income tax liability arising on a revaluation of the equity share in associated undertakings was calculated using 15% tax rate as described below.

The movement on the deferred income tax account is as follows:

SKK thousand	2002	2001
At beginning of period	6,142	–
Effect of revaluation of investment in undertakings	2,320	6,142
At end of period (Note 15)	**8,462**	**6,142**

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

SKK thousand	2002	2001
Deferred income tax liabilities		
Unrealised profit on securities and financial instruments	(367)	(991)
Revaluation of investment in undertaking	(8,462)	(6,142)
Other temporary differences	–	(8)
Deferred income tax liability	**(8,829)**	**(7,141)**
Deferred income tax assets		
General and specific loan loss provisions	4,569	3,214
Unrealised losses on securities and financial instruments	2,323	1,706
Fixed assets depreciation	5,878	3,314
Other temporary differences	108	420
Deferred income tax asset	**12,878**	**8,654**
Net deferred income tax asset before adjustment	**4,049**	**1,513**
Adjustment for uncertain realisation of tax asset	**(12,511)**	**(7,655)**
Net deferred income tax liability	**(8,462)**	**(6,142)**

The Bank has not recorded any deferred tax receivables because their future usage is not assured.

The Bank does not have tax losses to carry-forward into future accounting periods.

The final deferred tax liability as reported by the Bank was calculated from revaluation of investment in undertakings using 15% tax rate, as only this rate taxed at source is applicable to dividends paid out to shareholders.

26. Reconciliation of net profit and shareholders' equity

Net profit

SKK thousand	2002	2001
Net profit per statutory financial statements	18,724	34,917
Net income from associated undertaking (Note 9)	13,147	20,841
Other changes	3,757	2,228
Deferred expenses for social expenses of employees	(500)	(500)
Net profit per international financial statements	**35,127**	**57,486**

Shareholders' equity

SKK thousand	2002	2001
Shareholders' equity per statutory financial statements	573,895	555,962
Profit share in associated undertaking (Note 9)	47,949	34,802
Other movements	8,387	4,632
Accrual for employee social expenses	(36)	(328)
Shareholders' equity per international financial statements	**630,195**	**595,068**

27. Derivative financial instruments

In the normal course of business the Bank enters into financial instrument transactions to hedge its liquidity, interest and foreign currency risks. The Bank also enters into speculative financial derivative transactions for the purpose of generating profits from short-term fluctuations in market factors. The Bank also acts as a principal to derivative transactions with its clients. The Bank operates a system of market risk and counter-party limits that are designed to restrict exposure to movements in market prices and counter-party concentrations.

Financial derivative instruments' held for trading at notional and fair values as at 31 December 2002 and 31 December 2001 are as follows:

SKK thousand	Notional value of assets		Notional value of liabilities		Fair value (positive)		Fair value (negative)	
	31. 12. 2002	31. 12. 2001	31. 12. 2002	31. 12. 2001	31. 12. 2002	31. 12. 2001	31. 12. 2002	31. 12. 2001
Foreign currency instruments (unquoted)								
Currency swaps	1,820,726	2,275,935	1,802,078	2,267,834	25,726	7,666	(12,319)	(5,844)
Currency forwards	2,555,122	311,943	2,608,563	318,336	4,075	1,547	(42,220)	(912)
Interest rate instruments (unquoted)								
Interest rate swaps	666,888	671,040	666,888	671,040	5,904	4,843	(16,904)	(12,639)
Total	5,042,736	3,258,918	5,077,529	3,257,210	35,705	14,056	(71,443)	(19,395)

The remaining contractual maturity of foreign currency swaps and forwards is mainly up to 1 year from the date of the financial statements. The remaining contractual maturity of IRS is up to 5 years from the balance sheet date.

28. Commitments and contingent liabilities

(a) Legal disputes

The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2002. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Bank has recorded a provision of SKK 806 thousand for these legal disputes (31 December 2001: SKK 1,049 thousand).

The Bank has been notified that certain parties could take legal action against it. The Bank has no information that such claims have yet been filed in any court. The Bank will contest any such claims and, taking into consideration the opinion of its internal legal counsel, believes that any asserted claims made will not materially affect its financial position.

(b) Commitments arising from the issuance of guarantees

Commitments from guarantees include issued guarantees, avals, and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. The Bank makes provisions against items it has identified as decreased in value, if any, otherwise there is general reserve, which is based on the general assessment of the risks associated with these balances.

(c) Commitments to extend credit, undrawn loan commitments, unutilised overdrafts and approved overdraft loans

The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credits in the form of loans, guarantees or standby letters of credit. Commitments to extend credit issued by the Bank represent issued loan commitments or guarantees, undrawn portions of and approved overdraft loans. Commitments to extend credit or guarantees issued by the Bank which are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities because they result from contractual terms and conditions in the credit agreements. The Bank creates provisions in respect of these commitments.

Financial commitments and contingencies comprise:

SKK thousand	2002	2001
Non-payment guarantees	62	1,619
Payment guarantees	29,602	15,500
Bills of exchange accepted and endorsements	–	–
Letters of credit – uncovered	–	–
Letters of credit – covered	–	–
Subtotal	29,664	17,119
Committed facilities – loans	–	7,932
Committed facilities – bank guarantees	3,000	–
Undrawn credit commitments	116,483	–
Unutilised overdraft loans	135,073	73,922
Other revocable and irrevocable commitments	**254,556**	**81,854**
Total revocable and irrevocable commitments	**284,220**	**98,973**

As of 31 December 2002, the Bank created provisions for risks arising from commitments from the issuance of guarantees amounting to SKK 404 thousand (2001: SKK 192 thousand) and provisions for risks arising from the undrawn credit commitments and the unutilised overdraft loans amounting to SKK 2,888 thousand (2001: SKK 0) – refer to Notes 10 and 15.

29. Net currency exposure

The table below provides an analysis of the Bank's foreign currency exposures as of 31 December 2002 and 31 December 2001.

SKK thousand	Slovak Crown	Czech Crown	US Dolar	Swiss Franc	Euro	Other	Total
Assets							
Cash and balances with National Bank of Slovakia	108,966	15,988	17,560	3,306	25,909	6,102	**177,831**
Due from financial institutions	1,810,014	25,291	14,013	–	–	–	**1,849,318**
Loans and advances to customers, net	1,755,966	138,796	26,861	–	275,055	–	**2,196,678**
Receivables from derivatives fair value	35,705	–	–	–	–	–	**35,705**
Trading securities	615,881	–	–	–	–	–	**615,881**
Securities held to maturity	22,100	–	–	–	171,386	–	**193,486**
Equity shares in associated undertakings	66,411	–	–	–	–	–	**66,411**
Premises and equipment	82,525	–	–	–	–	–	**82,525**
Prepayments, accrued income and other assets	10,573	295	2,546	–	17	–	**13,431**
Total assets	**4,508,141**	**180,370**	**60,980**	**3,306**	**472,367**	**6,102**	**5,231,266**
Liabilities and shareholders' equity							
Amounts owed to financial institutions	1,602,234	199,833	–	–	951,797	802	**2,754,666**
Amounts owed to customers	1,292,763	57,080	98,944	2,723	194,116	920	**1,646,546**
Commitments from derivatives fair value	71,443	–	–	–	–	–	**71,443**
Accrued expenses, other provisions and other liabilities	64,797	2,063	15,706	–	45,850	–	**128,416**
Shareholders' equity	630,195	–	–	–	–	–	**630,195**
Total liabilities and shareholders' equity	**3,661,432**	**258,976**	**114,650**	**2,723**	**1,191,763,**	**1,722**	**5,231,266**
Off-balance sheet assets	2,864,147	242,809	257,356	14,352	2,614,047	128,197	**6,120,908**
Off-balance sheet liabilities	(3,306,523)	(182,706)	(223,961)	(14,064)	(2,268,794)	(158,479)	**(6,154,527)**
Net currency exposure at 31 December 2002	**404,333**	**(18,503)**	**(20,275)**	**871**	**(374,143)**	**(25,902)**	**(33,619)**
Net currency exposure at 31 December 2001	**372,780**	**(83,466)**	**(9,885)**	**3,255**	**(289,907)**	**8,834**	**1,611**

30. Liquidity risk

Liquidity risk is a measure to the extent of which the Bank may be required to raise funds to meet its commitments relating to financial instruments.

The table below provides an analysis of assets, liabilities and shareholders' equity by relevant maturity groups based on the remaining period from the balance sheet date till contractual maturity. They are presented under the most prudent consideration of maturity dates where options of repayment or repayment schedules allow for early repayments. Therefore, in liabilities the earliest possible repayment date is shown while in assets the latest possible repayment date is outlined.

Assets and liabilities without any contractual maturity dates are grouped in the "not specified" category.

The structure of assets and liabilities according to contractual residual maturity is as follows:

SKK thousand	Up to 1 month	From 1 month to 3 months	From 3 to 12 months	From 1 year to 5 years	From 5 years and over	Not specified	Total
Assets							
Cash and balances with National Bank of Slovakia	100,179	77,652	–	–	–	–	**177,831**
Due from financial institutions	–	1,543,474	305,844	–	–	–	**1,849,318**
Loans and advances to customers, net	5,633	591,715	1,126,010	471,682	1,638	–	**2,196,678**
Trading securities	–	452,719	106,945	56,217	–	–	**615,881**
Securities held to maturity	–	–	7,217	166,269	20,000	–	**193,486**
Receivables from derivatives fair value	–	16,954	18,751	–	–	–	**35,705**
Equity shares in associated undertakings	–	–	–	–	–	66,411	**66,411**
Premises and equipment	–	–	–	–	–	82,525	**82,525**
Prepayments, accrued income and other assets	1,104	12,327	–	–	–	–	**13,431**
Total assets	**106,916**	**2,694,841**	**1,564,767**	**694,168**	**21,638**	**148,936**	**5,231,266**
Liabilities and shareholders' equity							
Amounts owed to financial institutions	808	2,525,463	222,246	6,149	–	–	**2,754,666**
Amounts owed to customers	799,511	671,295	127,606	48,134	–	–	**1,646,546**
Accrued expenses, other provisions and other liabilities	–	119,954	–	–	–	8,462	**128,416**
Commitments from derivatives fair value	–	20,200	44,861	6,382	–	–	**71,443**
Shareholders' equity	–	–	–	–	–	630,195	**630,195**
Total liabilities and shareholders' equity	**800,319**	**3,336,912**	**394,713**	**60,665**	**–**	**638,657**	**5,231,266**
Liquidity risk at 31 December 2002	**(693,403)**	**(642,071)**	**1,170,054**	**633,503**	**21,638**	**(489,721)**	**–**
Cumulative liquidity risk at 31 December 2002	**(693,403)**	**(1,335,474)**	**(165,420)**	**468,083**	**489,721**	**–**	**–**
Cumulative liquidity risk at 31 December 2001	**(1,361,666)**	**(1,283,027)**	**(628,134)**	**356,533**	**439,368**	**–**	**-**

31. Interest rate risk

Interest rate risk represents a risk that the value of the financial instrument will fluctuate due to changes in market interest rates and the risk that the maturity of interest bearing assets differs from the maturity of the interest bearing liabilities used to fund these assets. Therefore, the length of time the rate of interest is fixed on the financial instrument indicates to what extent this instrument is exposed to interest rate risk.

Assets and liabilities without any interest rate sensitivity are grouped in the "not specified" category.

SKK thousand	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	From 5 years and over	Not specified	Total
Assets						
Cash and balances with the National Bank of Slovakia	177,831	–	–	–	–	**177,831**
Due from financial institutions	1,543,474	305,844	–	–	–	**1,849,318**
Loans and advances to customers, net	2,122,714	61,390	11,703	871	–	**2,196,678**
Trading securities	452,719	106,945	56,217	–	–	**615,881**
Securities held to maturity	–	7,217	166,269	20,000	–	**193,486**
Receivables from derivatives fair value	16,954	18,751	–	–	–	**35,705**
Equity shares in associated undertakings	–	–	–	–	66,411	**66,411**
Premises and equipment	–	–	–	–	82,525	**82,525**
Prepayments, accrued income and other assets	13,431	–	–	–	–	**13,431**
Total assets	**4,327,123**	**500,147**	**234,189**	**20,871**	**148,936**	**5,231,266**
Liabilities and shareholders' equity						
Amounts owed to financial institutions	2,747,349	1,300	6,017	–	–	**2,754,666**
Amounts owed to customers	1,560,480	86,066	–	–	–	**1,646,546**
Commitments from derivatives fair value	20,200	44,861	6,382	–	–	**71,443**
Accrued expenses, other provisions and other liabilities	119,954	–	–	–	8,462	**128,416**
Shareholders' equity	–	–	–	–	630,195	**630,195**
Total liabilities and shareholders' equity	**4,447,983**	**132,227**	**12,399**	**–**	**638,657**	**5,231,266**
Off-balance sheet interest rate assets	250,000	416,888	–	–	–	**666,888**
Off-balance sheet interest rate liabilities	250,000	250,000	166,888	–	–	**666,888**
Net interest rate risk at 31 December 2002	**(120,860)**	**534,808**	**54,902**	**20,871**	**(489,721)**	**–**
Cumulative interest rate risk at 31 December 2002	**(120,860)**	**413,948**	**468,850**	**489,721**	**–**	**–**
Cumulative interest rate risk at 31 December 2001	**(637,382)**	**(132,379)**	**359,086**	**439,368**	**–**	**–**

32. Related party transactions

The Bank performs transactions with the Parent Bank relating to ordinary banking operations. The Bank also enters into transactions with other related parties within the ordinary course of its business.
Assets and liabilities include accounting balances with related parties (namely the Parent Bank and CAC Leasing Slovakia, a. s.) as follows:

SKK thousand	2002	2001
Assets		
Cash and cash equivalents	7,156	14,027
Due from financial institutions	165,662	125,882
Loans and advances to customers, net	40,937	50,944
Prepayments, accrued income and other assets	3,469	9,419
Total	**217,224**	**200,272**
Liabilities		
Amounts owed to financial institutions	1,014,756	390,404
Amounts owed to customers	29,494	49,184
Accrued expenses and other liabilities	2,974	14,340
Total	**1,047,224**	**453,928**

Included in the balance of loans and advances to customers are loans to CAC Leasing Slovakia, a. s. totalling SKK 40,291 thousand (2001: SKK 50,195 thousand) and loans to directors of the Bank totalling SKK 646 thousand (2001: SKK 749 thousand).

Included in the balance of amounts owed to customers are balances of CAC Leasing Slovakia, a. s., totalling SKK 26,473 thousand (2001: SKK 46,988 thousand) and amounts owed to directors of the Bank totalling SKK 3,021 thousand (2001: SKK 2,196 thousand).

Other balances relate to the Parent Bank.

Income and expenses from related parties include the following:

SKK thousand	2002	2001
Interest income	72,333	103,406
Interest expense	(59,744)	(118,301)
Net fees and commissions	1,573	2,551
Other income	9,339	120
Administrative expenses	(2,908)	(1,922)
Total	**20,593**	**(14,146)**

Interest rates and other terms of transactions with related parties do not differ from the ordinary interest rates and other contractual terms of the Bank.

33. Post balance sheet events

There were no important post balance sheet events up to the time of the issuance of these financial statements.

Deloitte & Touche

Consolidated Financial Statements under Slovak Accounting Standards (SAS)

Independent Auditor's Report

to the Shareholders and the Board of Directors of Komerční banka Bratislava, a. s.:

Deloitte & Touche
Slovakia spol. s r.o.
BBC Prievozská 12
Bratislava 821 09
Slovak Republic
Phone: +421 (2) 582 49 111
Fax: +421 (2) 582 49 222
www.deloitteCE.com
Commercial Register
of District Court Bratislava 1
Section: Sro
File No.: 11922/B
ID: 35700416

We have audited the consolidated statutory financial statements of Komerční banka Bratislava, a. s. for the year ended 31 December 2002 prepared under the Slovak Accounting Standards. We have conducted our audit in accordance with Slovak Standards on Auditing. The simplified financial statements included in the Annual Report were derived from the audited consolidated financial statements.

In our report dated 25 March 2003, we expressed an opinion that the consolidated financial statements, from which the simplified consolidated financial statements included in this Annual Report were derived from, present fairly, in all material respects, the consolidated financial position of Komerční banka Bratislava, a. s. and the consolidated results of its operations.

In our opinion, the simplified consolidated financial statements included in the Annual Report are consistent in all material respects with the consolidated financial statements referred to above.

For a better understanding of the consolidated financial position of Komerční banka Bratislava, a. s. as of 31 December 2002 and of the consolidated results of its operations for the year then ended, and the scope of our audit procedures the simplified consolidated financial statements included in the Annual Report should be read in conjunction with our auditor's report and the consolidated financial statements from which they were derived.

Bratislava, 25 March 2003

SLOVENSKÁ KOMORA AUDÍTOROV
Deloitte & Touche
SLOVAKIA
evid. č. licencie 149

Deloitte & Touche Slovakia spol. s r.o.
Licence number SKAU 149

SLOVENSKÁ KOMORA AUDÍTOROV
evid. č. dekrétu 865
Ing. Zuzana Letková

Zuzana Letková
Responsible Auditor
Decree number SKAU 865

Deloitte
Touche
Tohmatsu

Consolidated Balance Sheet as of 31 December 2002 prepared under Slovak Accounting Standards applicable to Banks

ASSETS

SKK thousand

Item no.	Name of item	Note *		2002	2001
a	b	c	d	1	2
1	Cash and accounts with banks of issue and post check accounts (lines 2 + 3), thereof:	1		721,225	2,067,430
2	a) Cash in hand	2		49,838	39,159
3	b) Accounts with banks of issue and post check acc.	7		671,387	2,028,271
4	State treasury bills and other treasury bills accepted by NBS for refinancing	12		593,517	2,137,795
5	Receivables from other values	15		–	–
6	Receivables from securities	19		–	–
7	Loans and deposits of other banks (lines 8 + 9 + 10), thereof:	26		1,295,764	254,893
8	a) Loans of other banks	27		–	–
9	b) Deposits of other banks	30		1,295,764	254,893
10	c) Fund transfers between banks	33		–	–
11	Loans to customers, thereof:	34		2,279,637	2,044,110
12	a) Standard loans	35		1,272,485	1,314,337
13	b) Other receivables from customers	36		1,812	2,101
14	c) Watch receivables	38		475,966	575,897
15	d) Classified receivables	39		34,125	33,529
16	e) Other restricted receivables	40		313,108	–
17	f) Loans to Slovak Government agencies, municipalities, state and other funds of SR	41 to 44		–	–
18	g) Classified loans to municipality authorities and other funds	45		–	4,725
19	h) Savings accounts and other demand or time deposits	46, 47		–	–
20	Bonds and other fixed-income securities	48		608,959	1,070,060
21	Shares and other securities with floating income	56		–	–
22	Call option contracts	57		–	–
23	Own shares for trading	58		–	–
24	Clearing accounts with subjects on stock market and customers	59		201	205
25	Shares and participation with controlling interest	60		–	–
26	Shares and participation with substantial interest	63		66,578	48,156
27	Other shares and participation	66		–	–
28	Other investment securities	69		192,019	196,283
29	Goodwill		x	–	–
30	Receivables from shareholders and partners	72		–	–
31	Long-term financing provided to branches abroad	74		–	–
32	Long-term subordinated loans	75		–	–
33	Intangible fixed assets	76		9,877	13,813
34	Total tangible fixed assets, thereof:	83		72,650	95,804
35	a) Land and constructions	84, 85		34,579	44,004
36	Other assets			135,084	85,918
37				–	–
38				–	–
39				–	–
40	**Total assets**	**117**		**5,975,511**	**8,014,467**
x	Off-balance sheet accounts (lines 41 to 48)	121		15,775,221	12,761,949
41	Receivables relating to guarantees to banks	122		–	–
42	Receivables relating to guarantees to customers	126		284,220	98,973
43	Receivables relating to spot transactions	131		1,078,172	1,223,698
44	Receivables relating to forward transactions	135		5,042,735	3,258,918
45	Receivables relating to option contracts	139		–	–
46	Other receivables	143		–	99,679
47	Values deposited or accepted into custody	147		305	236
48	Memorandum accounts	152		9,369,789	8,080,445
	Check total (lines 1 to 48)		x	47,650,528	45,849,748

* Balance sheet line no. Úč B 1-01

Consolidated Balance Sheet as of 31 December 2002 prepared under Slovak Accounting Standards applicable to Banks
LIABILITIES

SKK thousand

Item no.	Name of item	Note *		2002	2001
a	b	c	d	1	2
49	Payable to banks (lines 50 + 51), thereof:	159		2,529,170	2,385,204
50	a) Loans and deposits of banks of issue	160		–	–
51	b) Loans and deposits of other banks	163		2,529,170	2,385,204
52	Payable to customers, thereof:	167		1,955,735	3,129,928
53	a) Savings accounts, loans accepted and other deposits	169		301,363	591,258
54	b) Other payables to customers	173		854,862	1,393,093
55	Deposit certificates and similar debt securities	178		–	–
56	Liabilities relating to securities entrusted to the Bank	182		–	–
57	Put option contracts	183		–	–
58	Issue of bonds	184		–	–
59	Liabilities relating to other values	187		95,199	57,434
60	Liabilities relating to securities	192		593,517	1,681,594
61	Subsidies and similar recourses	200		–	–
62	Reserves (lines 63 + 64), thereof:	204		101,700	96,598
63	a) Legal reserves	205		35,654	22,626
64	b) Other reserves	210		66,046	73,972
65	Negative goodwill		x	–	–
66	Other liabilities			69,717	69,591
67	Total registered capital less shares of other partners	243 part		500,000	500,000
68	Share premium and other capital funds less shares of other partners	249 part		–	–
69	Gain/loss from translation of shares and participation denominated in foreign currencies less shares of other partners	252 part		–	–
70	Reserve funds and funds created from profit less shares of other partners	253 part		55,171	21,045
71	Gain/loss from revaluation of shares and participation less shares of other partners	256 part		–	–
72	Profit/loss from previous years less shares of other partners	267 part		38,156	13,420
73	Profit/loss from current accounting period less shares of other partners	270 part		9,506	34,917
74	Share in profit/loss in equivalence		x	27,640	24,736
75	Shares of other partners (lines 76 + 77 + 78 + 79 + 80 + 81 + 82), thereof:		x	–	–
76	a) Total registered capital	243 part	x	–	–
77	b) Share premium and other capital funds	249 part	x	–	–
78	c) Gain/loss from translation of shares and participation denominated in foreign currencies	223 part	x	–	–
79	d) Reserve funds and funds created from profit	253 part	x	–	–
80	e) Gain/loss from revaluation of shares and participation	256 part	x	–	–
81	f) Profit/loss from previous years	267 part	x	–	–
82	g) Profit/loss from current accounting period	270 part	x	–	–
83					
84					
85					
86	**Total liabilities**	**271**		**5,975,511**	**8,014,467**
x	Off-balance sheet accounts (lines 87 to 95)	275		15,775,221	12,761,949
87	Liabilities relating to guarantees to banks	276		–	4,847
88	Guarantees received from Government and other entities	279		220,950	86,652
89	Liabilities relating to guarantees to customers	282		549,471	607,164
90	Liabilities relating to spot transactions	285		1,076,998	1,223,795
91	Liabilities relating to forward transactions	289		5,077,529	3,257,210
92	Liabilities relating to option contracts	293		–	–
93	Other liabilities	297		2,347,681	2,680,447
94	Values deposited or accepted into custody	302		89,510	213,589
95	Memorandum accounts	306		6,413,082	4,688,245
	Check total (lines 49 to 95)	x		47,288,559	46,018,985

* Balance sheet line no. Úč B 1-01

Consolidated Profit and Loss Statement as of 31 December 2002 prepared under Slovak Accounting Standards applicable to Banks

SKK thousand

Item no.	Name of item	Note *		2002	2001
a	b	c	d	1	2
1	Interest income	72+75+76+77+79		341,852	363,426
2	Interest expense	3+6+7+8+9		300,352	344,793
3	Fee and commission income	73+78		33,697	34,514
4	Fee and commission expense	4+10		15,213	14,101
5	Finance lease income	80		–	–
6	Finance lease expense	11		–	–
7	General operating expenses less depreciation	27 - (35+36)		120,510	125,497
8	Depreciation of tangible and intangible fixed assets	35+36		20,215	23,467
9	Creation of reserves and provisions	37		121,193	154,126
10	a) Provisions created	38		51,886	68,492
11	b) Legal reserves created	44		25,974	12,681
12	c) Other reserves created	49		43,333	72,953
13	Distribution of reserves and provisions	96		82,918	124,108
14	a) Provisions distributed	97		18,712	71,390
15	b) Legal reserves distributed	103		12,947	6,289
16	c) Other reserves distributed	108		51,259	46,429
17	Extraordinary income	115		2,562	612
18	Negative goodwill		x	–	–
19	Extraordinary expenses	60		701	744
20	Goodwill		x	–	–
21	Other income			3,793,584	2,971,432
22	Other expenses			3,639,283	2,771,711
23				–	–
24				–	–
25				–	–
26	Share in profit/loss in equivalence		x	27,640	24,736
27	Profit/loss for accounting period less shares of other partners		x	9,506	34,917
28	Profit/loss attributable to shares of other partners			–	–
	Check total (lines 1 to 28)			8,713,337	7,266,418

* Profit and Loss Statement line no. Úč B 2-01

Komerční banka Bratislava, a. s.
Medená 6, P.O. BOX 137
810 00 Bratislava
Slovak Republic
phone: +421 259 277 111, 252 964 801
fax: +421 252 964 801
e-mail: koba@koba.sk
internet: www.koba.sk

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