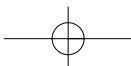
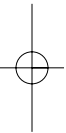
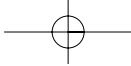


# 2002 annual report

MasterCard  
  
**Banka roku  
2002**

**Českomoravská  
stavební spořitelna**   
Na těchto základech můžete stavět



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**ČMSS PROFILE**

Name: .....	Českomoravská stavební spořitelna, a.s.
Headquarters: .....	Vinohradská 3218/169, 100 17 Prague 10
Telephone (switchboard): .....	00420 225 221 111
Fax (switchboard): .....	00420 225 225 999
E-mail: .....	info@cmss.cz
Internet: .....	www.cmss.cz
Bank code: .....	7960
ID number: .....	49241397
Tax ID number: .....	001-49241397
Date of incorporation: .....	June 26, 1993
Date business activities launched: .....	September 8, 1993
Legal form: .....	joint stock company
Shareholders: .....	Československá obchodní banka, a.s. (55 %) Bausparkasse Schwäbisch Hall AG (45 %)
Investments in associated undertakings: .....	České nemovitosti, a.s. Revoluční 3, Prague 1 (30 %)
Branches: .....	Brno, České Budějovice, Ostrava, Plzeň, Ústí nad Labem

**ČMSS IN FIGURES**

State as December 31	1996	1997	1998	1999	2000	2001	2002
Number of new agreements .....	256,749	229,876	272,120	312,704	437,851	557,588	560,490
Client deposits (CZK billion) .....	14.3	24.4	32.7	34.7	40.1	48.7	64.0
Number of active agreements (savings and loans) .....	652,149	811,177	973,243	1,095,572	1,328,011	1,652,561	1,890,555
Number of active loans and bridging loans .....	13,761	56,384	101,266	148,968	185,550	217,232	256,679
Share capital (CZK millions) .....	500	700	1,000	1,500	1,500	1,500	1,500
Total assets (CZK billion) .....	15.5	26.7	38.3	41.0	47.1	56.1	72.0
Net profit of current period (CZK millions) .....	375	808	1,511	962	412	515	680

**QUANTITATIVE INDICATORS AS AT DECEMBER 31, 2002**

1. Capital Adequacy (%) .....	14.58
2. Tier 1 (CZK thousand) .....	3,451,722
3. Tier 2 and Tier 3 (CZK thousand) .....	122,831
4. Sum of deductible Items from Tier 1 and Tier 2 (CZK thousand) .....	101,731
5. Total capital amount (CZK thousand) .....	3,472,822
6. Capital Request A (CZK thousand) .....	1,905,669
7. Capital Request B (CZK thousand) .....	-
8. Return on Average Assets (ROAA) (%) .....	1.09
9. Return on Average Equity (ROAE) (%) .....	17.12
10. Assets per Employee (CZK thousand) .....	122,330.43
11. Administrative Costs per Employee (CZK thousand) .....	1,627.96
12. Net Income per Employee (CZK thousand) .....	1,336.72



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## LETTER FROM THE CHAIRMAN



Českomoravská stavební spořitelna has completed yet another successful year. The record number of new agreements on building savings confirmed its position as the most popular building savings bank operating in the Czech market. Especially the enormous increase in the amount of loan business clearly indicated that ČMSS is the largest provider of building savings loans and bridging loans, which enable clients to implement their housing plans.

ČMSS has been active in the Czech market for almost a decade. Throughout this time, it has been the leader in this particular field. We can look back with satisfaction to the first decade of our activities. This is justified not only by the commercial and financial results we have attained, but also by the number of prestigious awards and titles that we have received; let's mention at least the recent title "Building Savings Bank of 2002".

The confidence and satisfaction of our clients remain our most valuable asset. Therefore, professional client service, consulting and an individual approach to dealing with the most varied plans and needs of our clients are our main priorities. We will continue to develop these attributes, which enabled us to become the leading building savings bank in the market over the past years.

The business environment for our work is changing quite rapidly. After almost a decade of functioning of building savings, the market potential is gradually being exhausted. Consequently, competitive pressure is increasing. Interest levels on the money and capital markets are reaching historical minimum levels. And, last but not least, mention should be made of the prolonged discussion on the future form of building savings. It is important to realize that the reasons for the considered modifications do not lie in the system itself, but rather in its external environment. The importance of building savings in the area of housing finance is not doubted. The reasons for the proposed changes lie primarily in the state of public finances. The considerable decrease in interest rates on financial markets also plays an important role.

The building savings banks actively participate in this discussion. It is our aim to negotiate conditions for building savings banks such that the stability and functioning of the system shall be maintained. In the future, building savings will undoubtedly continue to play a key role in individual financing of housing plans. It will lead to further hundreds of thousands of new and reconstructed homes and apartments.

I would like to take this opportunity to thank our employees and external sales force for the excellent work that they carried out in 2002. I would also like to thank our clients for their confidence and goodwill. The name of ČMSS has become a synonym for a trustworthy, strong, stable, modern and client-oriented bank. I am convinced that we have all the prerequisites for continued success in the future.

**Ing. Pavel Strnad**

Chairman of the Board of Directors

**THE BOARD OF DIRECTORS**



Chairman

**Ing. Pavel Strnad**

(member of the Board of Directors since May 1, 2002;  
Chairman of the Board of Directors since October 1, 2002)  
Management and Finance Section  
Qualifications: university degree and professional erudition  
Memberships in other statutory bodies: none

Vice-chairman

**Walter Böhm**

(member of the Board of Directors since April 17, 1998;  
Vice-chairman of the Board of Directors since January 8, 2003)  
Savings and Administration of Client Accounts, Loans and Organization Section  
Qualifications: secondary education and professional erudition  
Memberships in other statutory bodies: none

**Hans-Dieter Funke** (till December 31, 2002)

Marketing and Sales Section  
Qualifications: secondary education and professional erudition  
Memberships in other statutory bodies: none

**Dr. Petr Kielar** (since November 22, 2000)

Business Planning, General Services and IT Section  
Qualifications: university degree and professional erudition  
Memberships in other statutory bodies: none

**Ing. František Šejnoha** (till April 30, 2002)

Management and Finance Section  
Qualifications: university degree and professional erudition  
Memberships in other statutory bodies: none

## THE SUPERVISORY BOARD

Chairman	<p><b>Dr. Alexander Rudolf Otto Erdland</b> (since December 13, 1999)  Chairman of the Board of Directors  Bausparkasse Schwäbisch Hall AG  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: Member of the Supervisory Boards of VR Kreditwerk Hamburg-Schwäbisch Hall AG, PSS Prvá stavebná sporiteľňa, a.s., Bratislava, Bankhaus Hallbaum AG&amp;Co. KG, Hannover, DEFO Deutsche Fonds für Immobilienvermögen GmbH and Deutsche Genossenschafts-Hypothekenbank AG</p>
Vice-Chairman	<p><b>Ing. Vladimír Staňura</b>  (Member of the Supervisory Board since July 9, 2002; Vice-Chairman of the Supervisory board since November 18, 2002)  Director and Member of the Board of Directors  Československá obchodní banka, a.s.  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p>
Members	<p><b>Ing. Oldřich Černoch, CSc.</b> (till January 1, 2002)  Deputy General Director  Česká pošta, s.p.  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Hans-Jürgen Deis</b> (till July 1, 2002)  Member of the Board of Directors  Bausparkasse Schwäbisch Hall AG  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Ing. Erich Feix</b> (till January 1, 2002)  Foreign Markets Division  Bausparkasse Schwäbisch Hall AG  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Ing. Martin Hlavnička</b> (till July 8, 2002)  Director, Correspondent Banking  Československá obchodní banka, a.s.  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Ing. Petr Neubauer</b> (till July 8, 2002)  Regional Director  Československá obchodní banka, a.s.  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Dr. Thomas Hamann</b> (since July 2, 2002)  Director, Controlling and Management of Participation Interests  Bausparkasse Schwäbisch Hall AG  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Ing. Martin Novák</b> (since July 9, 2002)  Regional Director  Československá obchodní banka, a.s.  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: none</p> <p><b>Ing. Ivan Egyed</b> (since January 2, 2002)  Head of Department  Českomoravská stavební spořitelna, a.s.  Qualifications: university degree and professional erudition  Memberships in other statutory bodies: Member of the Supervisory boards of IF obchodní, a.s., Praha and České nemovitosti, a.s., Praha</p> <p><b>Jan Jakubec</b> (since January 2, 2002)  Head of Department  Českomoravská stavební spořitelna, a.s.  Qualifications: secondary education and professional erudition  Memberships in other statutory bodies: none</p>

## SHAREHOLDERS



### Československá obchodní banka, a.s.

Československá obchodní banka, a.s. (ČSOB) is the largest bank in the Czech Republic and, on the basis of the balance sheet total, it is the second largest bank in the region of Central and Eastern Europe. It occupies one of the foremost places on the domestic market in all the main client segments. It has about one quarter of the market in the area of client deposits. Following privatization in 1999, the Belgian group KBC became the majority owner, with a share of more than 80% of the registered capital of the bank.

ČSOB owns 55% of the shares of ČMSS.

### Bausparkasse Schwäbisch Hall AG

Bausparkasse Schwäbisch Hall (BSH) is the largest building savings bank in the Federal Republic of Germany and in all of Europe. It administers a total of 7.1 million agreements on building savings with a total target sum exceeding 165 billion EUR.

In addition to its interest in ČMSS, BSH also owns shares in building savings banks in Slovakia and Hungary.

BSH owns 45% of the shares of ČMSS.

## THE ECONOMIC ENVIRONMENT

The overall commercial and financial results of ČMSS are affected by the general external conditions, under which the building savings bank operates its business and that simultaneously affect consumer behaviour. From the standpoint of the business of ČMSS, a key role is played especially by the current conditions in the area of housing and real estate, which affect the demand amongst the population for financing various housing needs, as well as conditions on the financial markets.

### The Overall Economic Situation

2002 was a relatively successful year for the Czech economy. In spite of the negative effects of external factors, the rate of growth of the gross domestic product was around 2%. Unfavourable external factors included the global economic depression that, because of close ties with the countries of the European Union, also affected the Czech economy. In December, the Czech Republic obtained an invitation to become a member of the European Union beginning May 2004.

However, compared to 2001, economic growth was slower in the Czech Republic last year. The greatest economic and political problem in the Czech economy remains the unfavourable trend in public finances in the medium to long period, in the context of which consideration is being given to reforming public finances together with modifying the building savings system. The catastrophic floods in the summer of 2002 also had a detrimental effect on the Czech economy.

The domestic economy was significantly affected by the growing consumption of households which increased by 3.8%. Households were motivated to spend more by the rapid rise in real wages and the greater availability of consumer loans. The rapid decrease in interest rates on deposits was also a motivation for spending rather than saving. This was reflected in very strong demand of ČMSS clients for building savings loans and bridging loans.

Decreasing inflation was reflected in declining interest rates in the Czech economy. The year-on-year consumer price index gradually decreased during 2002 to a level of only 0.6% by the end of the year. Administratively set prices and tax measures also contributed a certain degree to the slow growth in price levels in 2002.

Decreasing inflation and the absence of obvious inflationary pressures in the immediate future permitted the central bank to gradually lower the key two-week repo rate during 2002, from 4.75% in January to 2.75% in December, as a measure against the strengthening of the Czech crown. Other factors also contributed to halting rise in its exchange rate, such as increasing foreign criticism of Czech public finances, the demonstrated fragility of the government coalition, the temporary uncertainty caused by the extensive flood damage and also the attractive alternative investment opportunities in Poland, Slovakia and Hungary.

It is apparent from the chief trends in the Czech economy in 2002 that a number of favourable tendencies remain unstable. External conditions and economic globalization will require for a small open economy a faster transition into a technically developed economy.

#### Selected macro-economic indicators of the Czech Republic in 1998 - 2002

Indicator	Specific unit	1998	1999	2000	2001	2002
Gross domestic product	Annual growth in %	-1.2	-0.5	3.3	3.3	2.0
Construction production	Annual growth in %	-7.0	-6.5	5.3	9.6	2.5
Industrial production	Annual growth in %	1.9	-3.1	5.4	6.5	4.8
Rate of inflation	Year-end figure in %	10.7	2.1	3.9	4.7	1.8
Level of unemployment	Year-end figure in %	7.5	9.4	8.8	8.9	9.8

Source: Czech Statistical Office

## Conditions in the Area of Housing and Real Estate

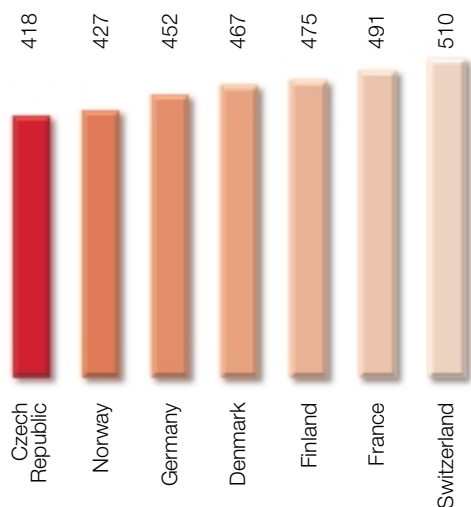
Current conditions in the area of housing and real estate are a decisive factor in the demand for means to finance the purchase of new and older real estate, and modernization of the existing housing stock. 2002 witnessed increased interest on the part of the population in the reconstruction and modernization of existing housing and the purchase of new and existing residential properties.

### The housing stock in the Czech Republic

There are about 4.3 million apartments in the Czech Republic. Approximately 47% of them are privately owned. The share of privately owned housing units has not yet attained the same levels as in some European countries. For example, in Great Britain, up to 67% of the housing stock is privately owned, while this figure equals 65% in Belgium and 56% in France.

There are 424 housing units per 1000 inhabitants in the Czech Republic; 418 of these are habitable. This is substantially fewer than in other European countries.

### Number of Habitable Apartments per 1000 Inhabitants in 2001

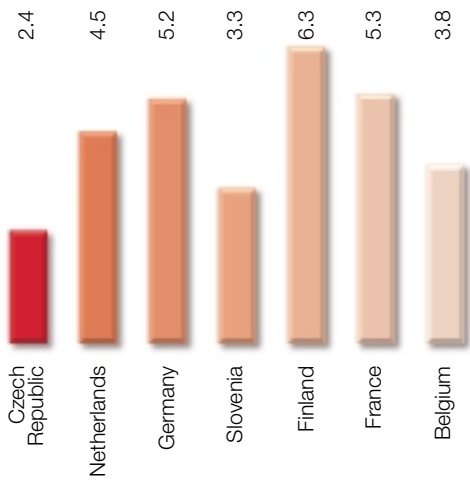


Source: Czech Statistical Office

The housing stock in the Czech Republic is rather obsolete and in poor repair as a consequence of neglected maintenance. Approximately 30% of the total housing stock consists of apartment buildings constructed from prefabricated concrete panels. In spite of their relatively recent date of construction, they frequently exhibit very serious technical and static defects.

The construction of new housing units continues to be well below demand. In countries with more housing units per 1000 inhabitants than the Czech Republic, more new apartments are completed annually in spite of the fact that the market is saturated.

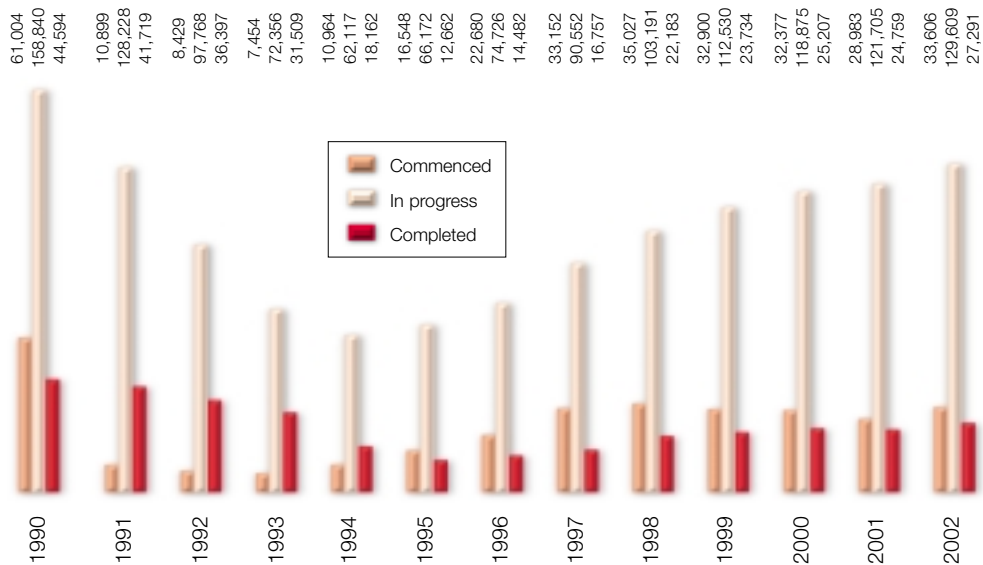
### Number of New Apartments Completed per 1000 Inhabitants in 2000



Source: Ministry for Regional Development

Estimates indicate that up to 50 thousand new apartments annually would be required in the Czech Republic to meet demand. However, in fact, only approximately half this number are actually completed annually.

### Number of Housing Units Commenced, in Progress or Completed in 1990 to 2002



Source: Ministry for Regional Development

### The prices of new apartments

The excess demand in 2002 was reflected in an increase in the prices of residential real estate by an average of 10 to 15%. There was a significant increase in prices of new apartments, especially in Prague and its surroundings, in large cities and in regions with low unemployment.

### The Price per 1 sq. m of Residential Area in Residential Buildings Completed in the Czech Republic in 1997 to 2001 (in CZK)

	1997	1998	1999	2000	2001
Family homes .....	23,109	23,913	24,899	24,654	24,993
Add-ons and remodellings of family homes .....	11,288	11,645	12,025	12,582	13,021
Apartment buildings .....	23,542	27,688	26,902	28,470	30,180
Add-ons and remodellings of apartment buildings .....	19,230	19,044	21,311	21,260	22,291
Total .....	21,398	23,191	23,374	23,040	23,839

Source: Ministry for Regional Development

### The state housing assistance programmes

Housing is one of the priorities of social policy. State programmes for housing assistance serve its development.

The programme for assistance in the construction of rental apartments and technical infrastructure assist municipalities in building new apartments through new construction, attic apartment construction, add-ons and reconstruction of non-residential spaces. CZK 547.4 million was allocated for this program in 2002.

CZK 280 million was allocated in 2002 to assist in repairs of concrete panel apartment buildings. This grant is intended for the owners of such prefabricated buildings and individual apartments. CZK 70 million was allocated for the support of regeneration of housing estates with the aim of their transformation into multi-purpose complexes, and the general improvement of this environment.

The State Fund for Housing Development also realizes programmes contributing to the development of housing. The Panel programme, for which CZK 252 million was allocated in 2002, is intended to assist in repairing and the general recovery of apartment buildings constructed of prefabricated concrete panel technology.

Assistance of CZK 350 million in 2002 is intended for municipalities and, through them, also private owners of apartment buildings to remedy the state of disrepair of the existing housing stock.

Other forms of state assistance consist, e.g., of low-interest loans of max. CZK 200 thousand for young people to 36 years of age, social assistance for low-income families and tax relief.



### Financial instruments to meet individual housing needs

Building savings is the most frequently employed instrument for financing individual housing needs. This financial product combines the creation of equity capital with a loan to meet housing needs. The creation of equity capital in the first phase of building savings is supported by the state. Advantageous conditions in the phase of saving create a basis for obtaining financial means to deal with individual housing requirements. The financing potential is substantially increased by the use of building savings loans. Their advantages include particularly low, fixed interest rates. To accelerate the financial solution to housing, the system allows the use of bridging loans, again with a fixed annual interest rate. Interest paid on loans and bridging loans can be deducted from the income tax base.

Another financial instrument intended to meet individual housing plans consists of mortgage loans. This financial instrument also receives state assistance. In previous years, only the owners of newly constructed real estate had the right to state assistance. In 2002, state assistance was extended to young people to 36 years of age who purchase or reconstruct older properties for housing. In this case, state assistance is 2% higher than for new housing units.

## The Building Savings Market in the Czech Republic



Building savings has been available in the Czech Republic since 1993. The parameters of this financial product, which is intended to motivate individuals to a more active approach in dealing with their housing needs, are laid down in the Act on building savings and state assistance for building savings, No. 96/1993 Coll.

There are six building savings banks in the Czech Republic. In June 2000, these banks founded the Association of Czech Building Savings Banks to protect and support their joint interests. This working group evolves activities in the interests of the building savings sector and creates an optimum environment for the functioning of this system in the Czech Republic.

In 2002, Czech building savings banks concluded 1,627,229 new agreements on building savings. More than 5 million inhabitants of the Czech Republic now use their services. In other words, every second citizen of the Czech Republic now has an agreement on building savings.

In 2002, building savings confirmed its position as the most accessible and most frequently employed means of financing the individual housing requirements of the inhabitants of the Czech Republic. Last year, building savings banks provided 130,777 building savings loans and bridging loans, while a total of 21,002 mortgage loans were provided in the same period; i.e. Czechs employ building savings loans at a rate 6 times higher than for mortgage loans.

In 2002, the volume of building savings loans and bridging loans was approximately the same as the volume of mortgages provided. Building savings banks granted building savings loans and bridging loans of CZK 22.1 billion, while mortgages of CZK 22.5 billion were provided in the same period.

According to information published by the Czech Statistical Office, building savings was one of the main impulses for housing construction starts in 2002. Thus, it successfully fulfils its role as one of the pillars of state housing policy and of social policy in general.

## COMMERCIAL AND FINANCIAL RESULTS OF ČMSS

### Commercial Results

There was a considerable increase in interest in loans and bridging loans in 2002. The provision of building savings loans and bridging loans forms the focal point of the business policy of ČMSS. It is intended that clients be able to obtain financial means to deal with their housing needs as fast and easily as possible.

In 2002, ČMSS extended 53,363 building savings loans and bridging loans at a volume of CZK 8.8 billion. Compared to 2001, the number of loans and bridging loans increased by more than 27%, while the volume of funds provided to finance various housing needs grew by more than 43%.

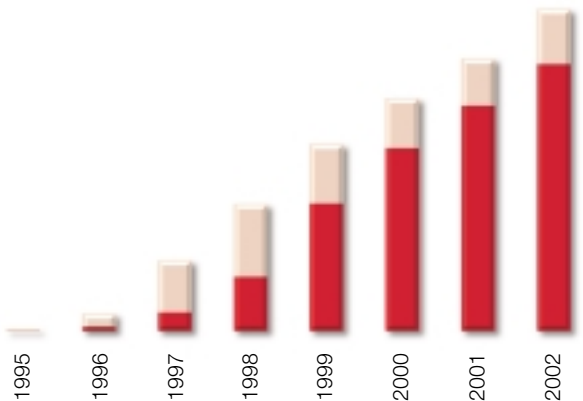
These favourable results are based on a number of measures adopted during 2002 that simplified some of the conditions for making loans.

A new product introduced on the market at the end of 2002, the Topkredit bridging loan, met with great interest. In this way, ČMSS met the needs of clients who prefer a constant monthly payment over the entire loan repayment period and the possibility of employing a bridging loan without utilizing savings. This is especially popular in financing larger amounts for housing needs.

As at December 31, 2002, ČMSS had administered 256,679 building savings loans and bridging loans at a volume of CZK 16.3 billion.

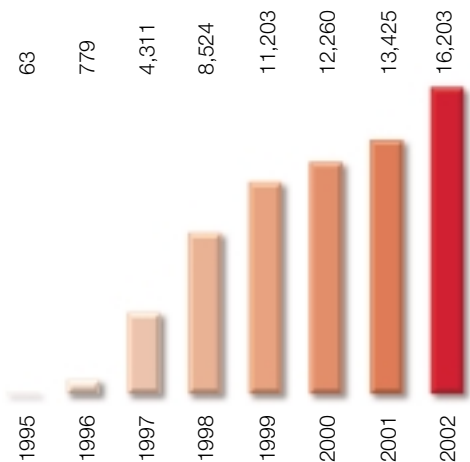
#### Number of ČMSS Loans and Bridging Loans (as at December 31)

859	10,646	41,599	58,257	47,431	39,959	37,784	44,188
142	3,115	14,785	43,009	101,537	145,591	179,448	212,491



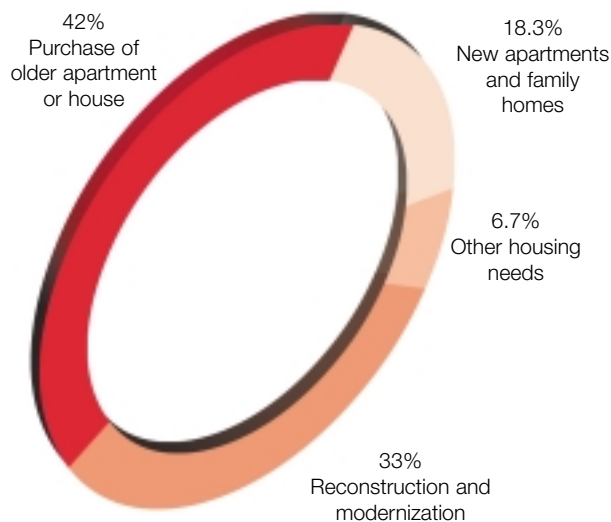
Note: upper data = bridging loans  
lower data = building savings loans

**ČMSS Total Loans Outstanding in CZK Millions (as at December 31)**



In 2002, ČMSS clients employed funds from building savings most frequently to acquire older apartments or homes (42%). Compared to the previous period, there was a considerable increase in the share of investments into reconstruction and modernization (33%). More than 18% of funds were invested by clients in the purchase of new apartments or the construction of new homes, and the remaining 7% was expended for other investments connected with housing. In this respect, building savings differs from mortgage loans, which do not provide for such a wide range of applications.

**The Purpose of Employing Funds from Building Savings by ČMSS Clients in 2002**



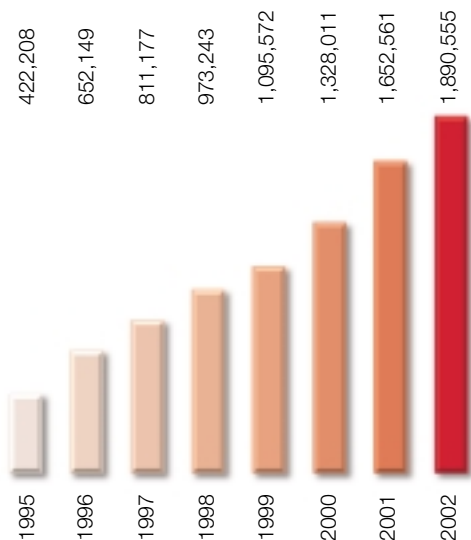
During its existence, ČMSS has provided a total of 295,055 building savings loans and bridging loans amounting to CZK 39.8 billion. This accounts for about 40% of all loans provided by building savings banks.



2002 also witnessed new records in the number of agreements signed. ČMSS concluded 560,490 new agreements on building savings (primary, secondary and an increase in the target amount), corresponding to 34.4% of the market. The target amounts of newly concluded agreements was CZK 84.8 billion, corresponding to 37.4% of the market.

At the end of 2002, ČMSS had administered a total of 1,890,555 valid agreements on building savings (in the saving and loan phases), with a total target amount of CZK 324.9 billion. As at December 31, 2002, ČMSS clients had a total of over CZK 64 billion in their savings accounts. The average target amount for agreements on building savings concluded in 2002 increased from the previous year and was CZK 151.3 thousand.

**Number of Valid Agreements on Building Savings (saving and loan) of ČMSS (as at December 31)**



## Financial Results

ČMSS is the largest provider of building savings loans and bridging loans intended for financing the housing requirements of the population. It deposits free financial funds in reliable banks and in state securities. In 2002, ČMSS made a profit of 680 million CZK. This is an increase of 32% compared to the previous year. As of December 31, 2002, ČMSS had stockholders equity of CZK 4.2 billion, an increase of 7.4% compared to the same period in 2001. The balance sheet total as of December 31, 2002 was CZK 72.0 billion, corresponding to an increase of 28.3%. ČMSS remains a strong and stable entity in the Czech banking system and a reliable business partner.

## Positive Image

After almost a decade of the functioning of building savings in the Czech Republic, this financial product, which is intended to finance various needs connected with housing, has become widely known and has gained the confidence of the population. Their decision-making on which of the six building savings banks is chosen is increasingly affected by recommendations made from their surroundings and the availability of the sales network. Consumer awareness of individual building savings banks has significantly increased over the past two years.

The results of marketing studies indicate that the best known building savings bank is ČMSS. Persons questioned especially valued the ability of ČMSS to react rapidly to their evolving needs, and the individual approach, professional consulting, stability and trustworthiness of this financial institution.

Efforts to provide clients and other interested persons with a comprehensive information on its range of business products in the area of building savings and housing via modern means of communication have been favourably received: ČMSS received the Readers' Prize of the Penize.CZ server for the best internet presentation in the area of building savings banks.

The client-oriented approach, high level of consulting and overall good image of ČMSS has led to several awards in 2002. ČMSS again occupied first place in the survey Czech 100 Best. In the first year of the competition "Bank of the Year" held by the renowned consulting company Fincentrum, ČMSS obtained the title Building savings Bank of 2002.



## Outlook to 2003

In 2003, ČMSS expects a further significant increase in the number of building savings loans and bridging loans. This trend confirms the interest of clients to actively resolve their housing needs. In recent years, the aspect of housing has become the most important issue faced by the inhabitants of the Czech Republic. Their economic situation is gradually improving. An increasing number of persons prefer owning their own housing to renting. This is connected not only with the expected accession of the Czech Republic to the European Union, but also with the on-going privatization of the housing stock and the expected removal of regulations on rent. Real estate is now one of the most advantageous forms of investment. The neglected housing stock in the Czech Republic will require considerable financial investments from new owners into maintenance and renewal in the coming years.

The demand for investment in housing is connected with the matter of financing. Czech citizens have overcome their fears of indebtedness and they are open to the possibilities of financing their housing intentions making use of building savings loans and bridging loans. ČMSS is ready for this development. Its business offer, capacity and technical background of the specialized sections as well as the dense business network fully correspond to the role which building savings shall perform in the future as one of the pillars of building construction.



## SALES NETWORK OF ČMSS

ČMSS provides an accessible and highly professional consulting and information service. Its objective is to provide clients and other interested persons with problem-free access to its range of business services and general information in the area of building savings and housing.

ČMSS implements its business plans particularly through its extensive business network. At the present time, this consists of the Prague Headquarters, 5 branches and 109 information and consulting centres. Its sales network is based on 1500 financial consultants, 3400 postal offices, ČSOB's branches, and co-operation partners (e.g. the OVB company).

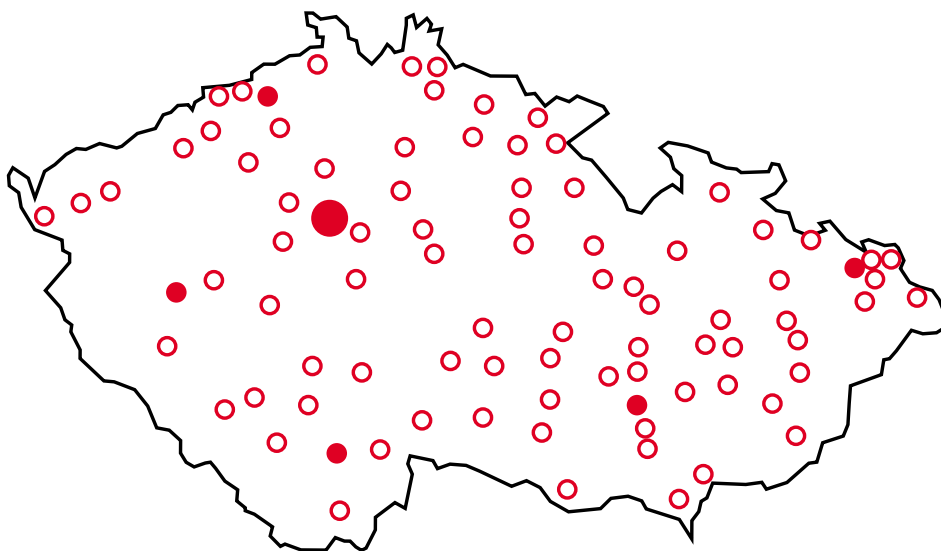
ČMSS also offers consulting through modern communication channels. The telephone consulting centre answers more than one hundred thousand questions annually and thousands of other questions and suggestions are received and answered annually by e-mail. The ČMSS internet site provides detailed information on the range of services provided and events being prepared, information in the area of building savings, advice and suggestions for housing and current information on ČMSS. The client magazine "Mozaika" provides further information on the potential use of building savings and suggestions for home improvement.

## The Density of the ČMSS Sales Network

**ČMSS Central Office:** Prague 10 - Strašnice

**Branches:** Brno  
České Budějovice  
Ostrava  
Plzeň  
Ústí nad Labem

**Information and consulting centres:** Benešov, Beroun, Blansko, Boskovice, Brno (5), Bruntál, Břeclav, Česká Lípa, Česká Třebová, České Budějovice, Děčín, Dvůr Králové, Frýdek-Místek, Havířov (2), Havlíčkův Brod, Hodonín, Hradec Králové (2), Hranice, Hustopeče, Cheb, Chomutov (2), Chrudim, Jablonec nad Nisou, Jeseník, Jevíčko, Jičín, Jihlava (2), Jindřichův Hradec, Kaplice, Karlovy Vary, Karviná (2), Kladno, Klatovy, Kolín, Kroměříž, Kutná Hora, Liberec (2), Litoměřice, Litvínov, Louny, Mělník, Milevsko, Mladá Boleslav, Moravské Budějovice, Most, Náchod, Nový Jičín, Nymburk, Olomouc, Opava, Orlová, Ostrava-Poruba, Pardubice (2), Pelhřimov, Písek, Plzeň (3), Praha (6), Prachatice, Prostějov, Přerov, Příbram, Rokycany, Rychnov nad Kněžnou, Říčany, Sokolov, Strakonice (2), Sušice, Svitavy, Šumperk, Tábor, Telč, Teplice, Tišnov, Trutnov, Třebíč, Třeboň, Třinec, Uherské Hradiště, Ústí nad Labem, Ústí nad Orlicí, Valašské Meziříčí, Velké Meziříčí, Vrchlabí, Vsetín, Vyškov, Zlín, Znojmo (2), Žďár nad Sázavou, Židlochovice.





2002 annual report

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**REPORT OF INDEPENDENT AUDITORS****PRICEWATERHOUSECOOPERS** 

**PricewaterhouseCoopers Audit, s.r.o.**  
 Kateřinská 40 - 120 00 Prague 2  
 Czech Republic  
 Telephone: + 420 2 5115 1111  
 Facsimile: + 420 2 5115 6111  
 ID No.40765521

**TO THE SHAREHOLDERS OF ČESKOMORAVSKÁ STAVEBNÍ SPOŘITELNA, a.s.**

We have audited the accompanying balance sheet of Českomoravská stavební spořitelna, a.s. ("the Bank") as at 31 December 2002, the related income statement, the statement of changes in equity and notes for the year then ended presented in the annual report of the Bank on pages 26 - 58 ("the financial statements"). The financial statements and underlying accounting records are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

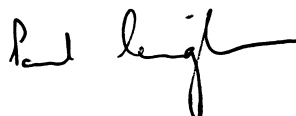
In our opinion the accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of Českomoravská stavební spořitelna, a.s. as at 31 December 2002, and the results of its operations and its changes in equity for the year then ended in accordance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

We have examined whether the supplementary financial information included in the annual report of the Bank on pages 5 - 23, which does not form part of the financial statements for the year ended 31 December 2002, is consistent with the audited financial statements of the Bank. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.

In addition we have also reviewed the accompanying report on relations between the Bank and its controlling party Československá obchodní banka, a.s. and between the Bank and the other parties controlled by Československá obchodní banka, a.s. on pages 59 - 61 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors. Our responsibility is to review the accuracy of information included in the Report. We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to reviews of reports on relations between related parties. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects.

6 March 2003

*PricewaterhouseCoopers*  
**PricewaterhouseCoopers Audit, s.r.o.**  
 represented by



**Paul Cunningham**  
 Partner



**Petr Kříž**  
 Auditor, Licence No.1140

**BALANCE SHEET AS AT DECEMBER 31, 2002** (CZK millions)

Assets	2002		2001	2000
	Gross amount	Provision	Net amount	Net amount
1. Cash and deposits				
with central banks .....	107	-	107	3
2. State treasury bills and other bills eligible for refinancing				
with the central bank .....	13,627	-	13,627	5,444
a) state securities .....	13,627	-	13,627	5,444
3. Due from banks .....	23,600	-	23,600	16,136
a) repayable on demand .....	16	-	16	144
b) other receivables .....	23,584	-	23,584	15,992
4. Due from customers .....	19,189	- 111	19,078	15,896
a) other receivables .....	19,189	- 111	19,078	15,896
5. Debt securities .....	13,572	-	13,572	16,712
a) issued by government institutions .....	10,848	-	10,848	14,237
b) issued by other entities .....	2,724	-	2,724	2,475
6. Shares, mutual shares and other interests ....	-	-	-	-
7. Participation interests with substantial influence.	3	-	3	3
a) in other entities .....	3	-	3	3
8. Participation interests with controlling influence .....	-	-	-	-
9. Intangible fixed assets .....	307	- 205	102	87
of which: a) other .....	307	- 205	102	87
10. Tangible fixed assets .....	1,763	- 632	1,131	1,175
a) land and buildings				
for banking activities .....	985	- 93	892	922
b) other .....	778	- 539	239	253
11. Other assets .....	717	- 1	716	593
12. Receivables from shareholders and associates .....	-	-	-	-
13. Prepayments and accrued income .....	24	-	24	24
<b>Total assets .....</b>	<b>72,909</b>	<b>- 949</b>	<b>71,960</b>	<b>56,073</b>
				<b>47,096</b>

**BALANCE SHEET AS AT DECEMBER 31, 2002** (CZK millions)

Liabilities	2002	2001	2000
1. Due to banks .....	-	-	-
2. Due to customers .....	64,008	48,716	40,161
a) repayable on demand .....	196	185	268
of which: saving accounts .....	196	175	189
b) other payables .....	63,812	48,531	39,893
of which: ba) saving accounts repayable on demand .....	57,131	43,155	36,141
bb) saving accounts at notice .....	6,681	5,376	3,752
3. Liabilities from debt securities .....	-	-	-
4. Other liabilities .....	2,962	2,676	2,548
5. Accruals and deferred income .....	-	-	-
6. Provisions .....	839	815	643
a) other .....	839	815	643
7. Subordinated liabilities .....	-	-	-
8. Share capital .....	1,500	1,500	1,500
of which: share capital paid up .....	1,500	1,500	1,500
9. Own shares .....	-	-	-
10. Share premium .....	-	-	-
11. Reserve funds and other funds from profit .....	1,207	1,135	1,116
a) statutory reserve funds .....	300	300	300
b) reserve fund for own shares .....	-	-	-
c) other reserve funds .....	888	817	800
d) other funds from profit .....	19	18	16
of which: risk fund .....	-	-	-
12. Reserve fund for new valuation .....	-	-	-
13. Capital funds .....	-	-	-
14. Revaluation reserve .....	-	-	-
15. Retained earnings or accumulated losses from previous periods .....	764	716	716
16. Profit or loss for the accounting period .....	680	515	412
<b>Total liabilities .....</b>	<b>71,960</b>	<b>56,073</b>	<b>47,096</b>

**OFF-BALANCE SHEET AS AT DECEMBER 31, 2002** (CZK millions)

Assets	2002	2001	2000
1. Commitments and guarantees given .....	2,589	2,054	1,847
a) commitments .....	2,589	2,054	1,847
2. Collaterals given .....	-	-	-
3. Receivables from spot transactions .....	-	-	-
4. Receivables from term instruments .....	-	-	-
5. Receivables from option instruments .....	-	-	-
6. Receivables written-off .....	4	4	3
7. Assets in custody .....	-	-	-
of which: securities .....	-	-	-
8. Assets managed by third party .....	-	-	-
<b>Total off-balance sheet assets</b>	<b>2,593</b>	<b>2,058</b>	<b>1,850</b>
<b>Liabilities</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
1. Commitments and guarantees received .....	9,082	6,565	5,164
a) commitments .....	-	-	-
b) guarantees and collaterals .....	8,847	6,316	4,912
c) guarantees from bills of exchange .....	235	249	252
2. Collaterals received .....	9,795	8,031	7,406
a) real estate pledges .....	6,478	5,185	4,260
b) cash pledges .....	3,260	2,783	3,085
c) securities pledges .....	-	3	3
d) other .....	57	60	58
3. Payables from spot transactions .....	1,500	-	-
a) interest instruments .....	1,500	-	-
4. Payables from term instruments .....	-	-	-
5. Payables from option instruments .....	-	-	-
6. Assets under custody .....	-	-	-
7. Assets under management .....	-	-	-
<b>Total off-balance sheet liabilities</b> .....	<b>20,377</b>	<b>14,596</b>	<b>12,570</b>

**INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2002** (CZK millions)

	2002	2001	2000
1. Interest receivable and similar income .....	3,307	2,898	2,716
of which: interest income from debt securities .....	1,439	1,204	1,137
2. Interest payable and similar expense .....	- 1,931	- 1,659	- 1,363
of which: interest expense on debt securities .....	-	-	-
3. Income from shares and other interests .....	-	-	-
of which: income from participating interests .....	-	-	-
4. Fee and commission income .....	1,053	1,018	790
5. Fee and commission expense .....	- 738	- 757	- 601
6. Gains less losses from financial transactions .....	- 6	41	- 15
7. Other operating income .....	3	3	8
8. Other operating expense .....	- 29	- 40	- 45
9. Administrative expense .....	- 828	- 814	- 783
of which:			
a) staff costs .....	- 310	- 272	- 266
aa) wages and salaries .....	- 234	- 202	- 197
ab) social and health insurance .....	- 76	- 70	- 69
b) other administrative expenses .....	- 519	- 542	- 517
10. Utilization of provisions for tangible and intangible fixed assets .....	-	-	-
11. Depreciation, additions to provisions for tangible and intangible fixed assets .....	- 178	- 175	- 173
a) depreciation of tangible fixed assets .....	- 119	- 129	- 135
b) amortization of intangible fixed assets .....	- 59	- 46	- 38
12. Utilization of provisions for loans and guarantees, income from ceded receivables and income from receivables already written-off .....	153	-	-
a) utilization of specific provisions for loans and guarantees ..	153	-	-
b) utilization of other provisions for loans and guarantees ...	-	-	-
c) gains from ceded receivables and income from receivables already written-off .....	-	-	-
13. Write-offs, additions to provisions for loans and guarantees .....	- 19	- 24	- 107
a) additions to other provision for loans and guarantees .....	- 12	- 24	- 23
b) additions to specific provisions for guarantees .....	- 7	-	- 84
c) write-off of loans and payments from guarantees, losses from ceded receivables .....	-	-	-
14. Utilization of provisions for participating interests with significant and controlling influence .....	-	-	-
15. Additions to provisions for participating interests with significant and controlling influence .....	-	-	-
16. Utilization of other specific provisions .....	282	371	476
17. Additions to other specific provisions .....	- 451	- 539	- 473
18. Utilization of other provisions .....	-	-	-
19. Additions to other provisions .....	-	- 1	-
20. Profit or loss on ordinary activities before taxation .....	618	322	430
21. Extraordinary income .....	-	-	-
22. Extraordinary expenses .....	-	-	-
23. Profit or loss on extraordinary activities before taxation ..	-	-	-
24. Income tax .....	62	193	- 18
25. Share on profits and losses of subsidiary and associated undertakings .....	-	-	-
<b>26. Profit or loss for the year after taxation .....</b>	<b>680</b>	<b>515</b>	<b>412</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2002 (CZK millions)

	Share capital	Social fund	Other reserve funds	Statutory reserve funds	Retained earnings	Total equity
<b>At January 1, 2000</b> .....	<b>1,500</b>	<b>9</b>	<b>500</b>	<b>250</b>	<b>1 464</b>	<b>3 723</b>
Reserve funds allocation .....	-	-	300	50	- 350	-
Dividends and tantiems declared ....	-	-	-	-	- 386	- 386
Social fund allocation .....	-	12	-	-	- 12	-
Social fund withdrawals .....	-	- 5	-	-	-	- 5
Profits for the year 2000 .....	-	-	-	-	412	412
<b>At December 31, 2000</b> .....	<b>1,500</b>	<b>16</b>	<b>800</b>	<b>300</b>	<b>1,128</b>	<b>3,744</b>
Reserve funds allocation .....	-	-	17	-	- 17	-
Dividends and tantiems declared ....	-	-	-	-	- 387	- 387
Social fund allocation .....	-	8	-	-	- 8	-
Social fund withdrawals .....	-	- 6	-	-	-	- 6
Profit for the year 2001 .....	-	-	-	-	515	515
<b>At December 31, 2001</b> .....	<b>1,500</b>	<b>18</b>	<b>817</b>	<b>300</b>	<b>1,231</b>	<b>3,866</b>
Reserve funds allocation .....	-	-	71	-	- 71	-
Dividends and tantiems declared ....	-	-	-	-	- 388	- 388
Social fund allocation .....	-	8	-	-	- 8	-
Social fund withdrawals .....	-	- 7	-	-	-	- 7
Profit for the year 2002 .....	-	-	-	-	680	680
<b>At December 31, 2002</b> .....	<b>1,500</b>	<b>19</b>	<b>888</b>	<b>300</b>	<b>1,444</b>	<b>4,151</b>

## NOTES TO FINANCIAL STATEMENT AS AT 31 DECEMBER, 2002

### 1. General Information

Českomoravská stavební spořitelna, a.s. (hereinafter referred to as "the Savings Bank") was incorporated on June 26, 1993. The Savings Bank has its registered office at Vinohradská 3218/169, Prague 10, Postal Code 100 17 and five regional branches in the Czech Republic: in Brno, Ostrava, Ústí nad Labem, České Budějovice and Plzeň.

The Savings Bank's operations primarily consist of building savings in line with Act No. 96/1993 Collection of Laws (Coll.), on building savings and state assistance for building savings, as amended.

### 2. Accounting Policies

#### (a) Basis of preparation

The financial statements, comprising a balance sheet, statements of income and of changes in equity and accompanying notes, are prepared in accordance with the Act on accounting and the applicable accounting rules set by the Ministry of Finance of the Czech Republic. The financial statements are prepared under the historical cost convention.

The financial statements are rounded to thousands of Czech Crowns ("CZK thousand") unless otherwise stated.

#### (b) Foreign currencies

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

#### (c) Securities held-to-maturity

Securities held-to-maturity are securities with fixed maturity where the Savings Bank has both the intent and the ability to hold them to maturity. The Savings bank includes all its securities in the portfolio held to maturity. These consist of state treasury bills, government bonds and mortgage bonds.

Securities held-to-maturity are measured at amortised cost. The amortised cost includes net acquisition price, accrued difference between the net acquisition price and the nominal value (premium or discount) and accrued coupon.

#### (d) Investments in associated undertakings

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

Investments in associated undertakings are measured at acquisition cost.

**(e) Securities financing arrangements**

Securities sold under agreements to sell and resell (repo agreements) are securities held-to maturity. They are retained in their original portfolio and are recognised according to the methodology used prior to their sale within the frame of repo agreements. The underlying cashflows are recorded as loans and borrowings respectively on a settlement date basis.

**(f) Interest income and expense**

Interest income and expense are recognised for all interest-bearing instruments on an accrual basis.

Interest income includes accrued building savings loan interest income and banking deposit interest income, treasury bills accrued coupon and the balance between the nominal value and the net acquisition cost with coupon securities.

The balance between the nominal value and the net acquisition cost of coupon securities is accrued using the effective yield method. Other interest income is accrued on a linear basis.

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

Interest expense covers accrued building savings deposit interest and interest expense from loans within the frame of repo agreements.

**(g) Penalty interest**

The Savings Bank does not employ penalty interest in granted loans.

**(h) Fee income and expense**

Income from fee for account maintenance is accrued over the year. Account conclusion fee income and connected commission expense and other fee income and expense is recognised immediately.

**(i) Provisions and allowances**

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

The Savings Bank recognises provisions for interest bonus and a provision for due fee from clients. The amount of the interest bonus provision reflects current estimations made by the Savings Bank's management concerning the share of saving customers (those who do not require a building savings loan) and the amount of interest bonus and accrued income interests with the possibility of additional interest bonus.

In addition, the balance sheet posts a general provision for receivables on loans. This provision must be used up or written back to income by December 31, 2005. All provisions are included in liabilities.

Allowances are deducted from the cost of each impaired asset. The amount of allowance for impaired loans is based on appraisals of individual loan cases. The appraisal is based on the number of overdue instalments. The Savings Bank recognises cumulative allowances covering loan principles and the outstanding amounts of unpaid loan interest. With regard to the recognition of allowances to classified loans from building saving programs, the Savings Bank does not reflect the value of accepted pledges, with the exception of allowances for classified bridging loans, where the sum deposited in the buildings savings account kept with the Savings Bank is reflected.

The Savings Bank also recognises allowances for amounts receivable from business partners. These provisions are recognised for claims outstanding for at least six months.

#### **(j) Tangible and intangible fixed assets**

Tangible and intangible fixed assets are recorded at cost, including costs for subsequent improvement into the current state and location of the fixed assets and the corresponding VAT. Fixed assets are depreciated by applying the straight-line basis over the estimated useful lives. Small tangible assets with a value not exceeding CZK 40,000 and small intangible assets with a value not exceeding CZK 60,000 are considered fixed assets and are fully depreciated at the beginning of their use.

##### **Annual depreciation rates:**

Buildings and constructions .....	3.33 %
Hardware and equipment .....	8.33 - 25 %
Furniture and fittings .....	16.6 %
Motor vehicles .....	25 %
Software .....	25 %

Repair and maintenance expenditures are charged to expense as incurred. Expenditures enhancing the value of the asset over CZK 40,000 are capitalised and depreciated.

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

#### **(k) Value added tax**

The Savings Bank is not registered for value added tax ("VAT"). Fixed tangible assets and intangible assets are stated at cost including VAT.

#### **(l) Deferred taxation**

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

**(m) Pensions**

No formal or informal pension plan is currently in operation at the Bank. Regular contributions are made to the state to fund the national pension plan.

**(n) Related parties**

Related parties are defined in accordance with the Act on Banks as follows:

- Savings Bank's board members, senior management and their relatives;
- Shareholders holding more than 10% of capital and their senior management and its relatives;
- Corporates with 10% shareholding of the Savings Bank's board members, senior management or corporates controlling the Savings Bank;
- Shareholders holding more than 10% of the Savings Bank and corporates controlled by them;
- Associated undertakings of the Savings Bank.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Notes 4, 5, 7 and 12.

**(o) Subsequent events**

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

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

**(p) Changes in accounting policy**

The following changes in the accounting policies have been implemented since January 1, 2002:

- a) Transaction costs (costs of mediating in the purchase of securities) enter into the assessment of purchased securities.
- b) All accrued interest income and costs related to assets and liabilities are entered in the accounts together with these assets and liabilities. Accrued interest is part of the accounting groups in which entries are made for the assets and liabilities.
- c) Securities acquired on the primary market, that are not intended for trading were transferred from the portfolio of securities held-to-maturity to receivables from customers and banks.
- d) Extraordinary income and costs include only income and costs from exceptional random events that are not related to the Savings Bank's operations.
- e) From the instant of agreement to the instant of settlement, entries are made for inter-bank deposits in off-balance accounts; subsequent entries in the balance accounts are made only after the settlement of the deals.
- f) The Savings Bank began making entries on deferred taxes on the basis of tax losses. The effect of this change, leading to an increase in deferred tax assets by CZK 192,633 thousand, was recognized in the income statement as at December 31, 2002.

Comparable data for past periods were modified for the cases set forth in Notes b, c and d.

**(q) Changes in accounting policy**

The following changes in the accounting policies have been implemented since January 1, 2001:

- a) New definitions for security portfolios were introduced, along with the rules for transfers between portfolios and rules for the creation of provisions for held securities. The effect of these changes, leading to writing back of provisions to securities in the amount of CZK 24,318 thousand, was included in the income statement for the year ended December 31, 2001.
- b) From the instant of agreement to the instant of settlement, entries are made on the purchase and sale of securities in off-balance accounts; subsequent entries in the balance accounts are made only after the settlement of the deals.
- c) The difference between the nominal value and the net price of acquisition of bonds and mortgage bonds is calculated by the method of effective interest rates in the net method.
- d) The Savings Bank began to make entries on deferred taxes on the basis of the difference between the accounting and tax value of the provisions and reserves. The effect of these changes, leading to an increase in the deferred tax asset by CZK 129,115 thousand, was not considered in the income statement until the year ended December 31, 2001.

**3. Cash and Deposits with Central Banks**

*(December 31; CZK thousand)*

	2002	2001	2000
Cash on hand .....	283	201	211
Obligatory reserves .....	107,103	2,879	718,828
<b>Total cash on hand and deposits with central banks .....</b>	<b>107,386</b>	<b>3,080</b>	<b>719,039</b>

In accordance with valid CNB methodology, the basis for calculation of obligatory reserves as of December 31, 2002 comprises the building savings customers' deposits, with maturity within two years. This condition is fulfilled by savings deposits with terms of notice (deposits for continuation of the agreement on building savings after expiry of the five-year saving period) and savings deposits on request (deposits following the provision of a building savings loan with the condition of payment of the deposits prior to withdrawing the loan).

In accordance with the valid CNB methodology, the base for calculation of obligatory reserves as of December 31, 2001 comprised only loans accepted in the framework of REPO agreements from non-banking parties and liabilities from interest-free loans.

In accordance with valid CNB methodology, the basis for calculation of obligatory reserves as of December 31, 2000 consisted of all customer building savings deposits.

## 4. Due from Banks

(December 31; CZK thousand)

	2002	2001	2000
Current accounts with banks .....	15,640	143,558	70,282
Term deposits with banks and central banks .....	22,587,829	15,992,185	14,135,580
EIB securities purchased in the primary issue .....	996,577	-	-
<b>Total due from banks .....</b>	<b>23,600,046</b>	<b>16,135,743</b>	<b>14,205,862</b>

In December 2002, the Savings Bank purchased debt securities from the European Investment Bank ("EIB") with book value of CZK 997 million.

### Balances with related parties

(December 31; CZK thousand)

	2002	2001	2000
Current accounts with ČSOB, a.s. ....	15,640	143,558	70,282
Term deposits at ČSOB, a.s. ....	506,292	1,405,721	1,274,258

## 5. Due from Customers

(December 31; CZK thousand)

	2002	2001	2000
Standard loans to companies and individuals .....	15,749,278	12,971,533	11,777,827
Debt securities of governmental institutions acquired in primary issues not intended for trading .....	2,816,734	2,408,825	1,312,863
Impaired loans to companies and individuals .....	497,068	459,792	425,875
Standard loans to municipalities .....	125,167	155,848	189,925
Impaired loans to municipalities .....	426	-	-
	19,188,673	15,995,998	13,706,490
Allowance for impaired loans (Note 10) .....	- 111,129	- 100,092	- 80,122
<b>Total net value .....</b>	<b>19,077,544</b>	<b>15,895,906</b>	<b>13,626,368</b>

In addition to the allowance for impaired loans, the Savings Bank posted a general tax-deductible provision for loans of CZK 123 million at December 31, 2002 (2001 and 2000: CZK 270 million). This provision has to be utilised or written back to income by 31 December 2005 (Note 2(i), Note 10).

**(a) Quality of loan portfolio**

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

*(December 31; CZK thousand)*

	2002	2001	2000
Standard .....	18,691,179	15,536,206	13,280,615
Watch .....	295,311	274,141	272,598
Substandard .....	78,908	71,161	57,293
Doubtful .....	56,925	50,866	39,726
Loss .....	66,350	63,624	56,258
<b>Total .....</b>	<b>19,188,673</b>	<b>15,995,998</b>	<b>13,706,490</b>

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

*(December 31; CZK thousand)*

	2002	2001	2000
Cash .....	3,259,639	2,782,689	3,085,142
Land and buildings .....	6,478,483	5,185,420	4,259,313
Other pledges (incl. bills of exchange, guarantor declarations, etc.) .....	9,139,327	6,627,423	5,087,233
<b>Total value of accepted collateral .....</b>	<b>18,877,449</b>	<b>14,595,532</b>	<b>12,431,688</b>

At December 31, 2002 and 2001, collateral was not required for loans and bridging loans up to CZK 150 thousand, according to the valid loan conditions. At December 31, 2002, the amount of these loans reached CZK 4,851,683 thousand (CZK 3,813,480 thousand at December 31, 2001). At December 31, 2000, collateral was not required for building loans up to CZK 130 thousand and bridging loans up to CZK 70 thousand. As of December 31, 2000, the volume of these loans was CZK 3,098,104 thousand.

**(b) Loans to related parties and major shareholders**

Standard loans to companies and individuals include the following loans to associated undertakings, board members and other related parties:

*(December 31; CZK thousand)*

	2002	2001	2000
<b>Associated undertakings</b>			
České nemovitosti, a.s. ....	-	17,600	7,600
<b>Other related parties</b>			
Supervisory Board .....	588	1,669	1,701
Management .....	1,285	1,393	1,315
<b>Total loans to related parties .....</b>	<b>1,873</b>	<b>20,662</b>	<b>10,616</b>

All loans to related parties were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavourable features.

## 6. Debt Securities

Debenture securities include only securities held-to-maturity.

(December 31; CZK thousand)

	Net cost	Market value
<b>As at December 31, 2002</b>		
Main or auxiliary market of recognised stock exchanges .....	26,342,674	27,242,535
Accrued interest on bonds .....	856,085	856,085
<b>Total .....</b>	<b>27,198,759</b>	<b>28,098,620</b>
<b>As at December 31, 2001</b>		
Main or auxiliary market of recognised stock exchanges .....	21,196,544	21,919,615
Accrued interest on bonds .....	958,980	958,980
<b>Total .....</b>	<b>22,155,524</b>	<b>22,878,595</b>
<b>As at December 31, 2000</b>		
Main or auxiliary market of recognised stock exchanges .....	15,832,219	16,051,083
Accrued interest on bonds .....	851,412	851,412
	<b>16,683,631</b>	<b>16,902,495</b>
Provision for unrealised losses (Note 10) .....	- 24,318	
<b>Total .....</b>	<b>16,659,313</b>	

Securities held-to-maturity as at December 31, 2002 include bonds with a market value of CZK 2,068 million (acquisition price of CZK 1,942 million), which were issued by companies in the group (acquisition price of CZK 1,950 million as at December 31, 2001, acquisition price of CZK 1,542 million as at December 31, 2000).

## 7. Investments in Associated Undertakings

As at December 31, 2002, 2001 and 2000, the Savings Bank had investment in České nemovitosti, a.s., with its registered office at Revoluční 3, Prague 1.

(CZK thousand)

	Number of shares held items	Nominal value of one share	Nominal value	Acquisition price	Registered capital	Share %
as at December 31, 2002 .....	30	450	13,500	3,000	45,000	30
as at December 31, 2001 .....	30	300	9,000	3,000	30,000	30
as at December 31, 2000 .....	30	100	3,000	3,000	10,000	30

Revenues from dividends equalled CZK 383 thousand in 2002 (2001: CZK 255 thousand CZK, 2000: 0).

### Summary financial information on České nemovitosti, a.s. (associated undertaking):

(CZK thousand)

	Equity as at December 31	Total assets as at December 31	Revenues	Profit/loss before tax
Unaudited financial figures for 2002: .....	66,470	355,385	259,075	18,540
Audited financial figures for 2001: .....	50,671	309,923	229,186	28,156
Audited financial figures for 2000: .....	33,544	236,818	259,660	30,189

## 8. Tangible and Intangible Fixed Assets

### Intangible fixed assets

(December 31; CZK thousand)

	2000	2001	Additions	Disposals	2002
<b>Cost</b>					
Software .....	158,959	205,665	67,270	11,199	261,736
Other .....	44,076	41,856	74,330	71,374	44,812
	<b>203,035</b>	<b>247,521</b>	<b>141,600</b>	<b>82,573</b>	<b>306,548</b>
<b>Accumulated amortisation</b>					
Software .....	99,776	143,419	58,643	11,200	190,862
Other .....	15,069	17,191	474	3,710	13,955
	<b>114,845</b>	<b>160,610</b>	<b>59,117</b>	<b>14,910</b>	<b>204,817</b>
<b>Net book amount .....</b>	<b>88,190</b>	<b>86,911</b>			<b>101,731</b>

**Operating tangible fixed assets***(December 31; CZK thousand)*

	2000	2001	Additions	Disposals	2002
<b>Cost</b>					
Land .....	50,198	50,198	-	-	50,198
Buildings .....	932,795	933,796	746	216	934,326
Equipment .....	417,702	450,701	33,525	211	484,015
Other .....	240,882	240,865	16,113	2,738	254,240
<b>Assets</b>					
in course of construction .....	4,367	15,352	75,040	50,384	40,008
	<b>1,645,944</b>	<b>1,690,912</b>	<b>125,424</b>	<b>53,549</b>	<b>1,762,787</b>
<b>Accumulated depreciation</b>					
Buildings .....	30,541	61,627	31,290	216	92,701
Equipment .....	266,600	338,816	60,494	211	399,099
Other .....	101,488	114,789	27,785	2,738	139,836
	<b>398,629</b>	<b>515,232</b>	<b>119,569</b>	<b>3,165</b>	<b>631,636</b>
<b>Net book amount .....</b>	<b>1,247,315</b>	<b>1,175,680</b>			<b>1,131,151</b>

As at December 31, 2002, 2001 and 2000, no Savings Bank's fixed assets were provided as a security.

**Tangible fixed assets under lease contracts**

The Savings Bank also uses reprographic equipment held under finance lease contracts, which will be recorded as tangible fixed assets at the finance lease contract termination date.

The leases can be analysed as follows:

*(December 31; CZK thousand)*

	2002	2001	2000
Amounts already paid on existing leases .....	633	449	275
Amount payable within one year .....	82	174	174
Amounts payable after more than one year .....	-	72	246
<b>Total amount paid</b>			
<b>and payable on existing finance leases .....</b>	<b>715</b>	<b>695</b>	<b>695</b>

## 9. Other Assets

(December 31; CZK thousand)

	2002	2001	2000
Advances granted .....	2,398	4,002	2,791
Anticipated assets .....	85	213	127
Deferred tax asset (Note 22) .....	292,961	195,357	-
Other receivables .....	422,086	394,805	515,026
Allowances for other assets (Note 10) .....	- 1,481	- 1,592	- 844
<b>Other assets .....</b>	<b>716,049</b>	<b>592,785</b>	<b>517,100</b>
Deferred expenses .....	24,081	23,915	29,540
Accrued income .....	-	7	48
<b>Future costs and income .....</b>	<b>24,081</b>	<b>23,922</b>	<b>29,588</b>

According to accounting procedures for banks valid in 2002, accrued interests on assets are posted in the same accounting groups as the assets themselves. Deferred expenses and accrued income, together with the relevant assets, as at December 31, 2001 and December 31, 2000, were adjusted in the same way.

In accordance with the methodology for 2002, receivables from unpaid fees for account conclusion are not recorded in other receivables. These outstanding amounts are recognised in the balance sheet as at December 31, 2002 in other receivables from customers in the amount of CZK 58,241 thousand (as at December 31, 2001: CZK 62,080 thousand; December 31, 2000: CZK 53,896 thousand).

In accordance with the methodology for 2002, "Other Receivables" post other valuables. These consist primarily of sums paid by the customers of the Savings Bank prior to December 31, but which the Savings Bank obtained after January 1. The total amount of these sums, as at December 31, 2002 equalled CZK 128 million (as at December 31, 2001: CZK 266 million; December 31, 2000: CZK 418 million).

## 10. Allowances, Provisions and Write Offs

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

(December 31; CZK thousand)

	2002	2001	2000
<b>Provisions</b>			
General provisions for loans .....	122,831	270,442	270,442
Provisions for interest bonus .....	704,490	534,797	345,359
Other provisions .....	11,997	10,239	27,510
<b>Total provisions .....</b>	<b>839,318</b>	<b>815,478</b>	<b>643,311</b>
<b>Allowances</b>			
Impaired loans to customers (Note 5) .....	111,129	100,092	80,122
Securities held-to-maturity (Note 6) .....	-	-	24,318
Other assets (Note 9) .....	1,481	1,592	844
<b>Total allowances .....</b>	<b>112,610</b>	<b>101,684</b>	<b>105,284</b>

Other provisions are provisions to outstanding fees from customers.

The decrease in general provisions for loans is caused by the writing back of part of the provisions in the amount of CZK 147,611 thousand. The entire provisions must be written back to income by the end of 2005.

The increase in provisions for interest bonus was affected by the following factors:

- Specification of the estimated proportion of saving customers (those who do not require a loan from the Savings Bank),
- The base for calculation increased by the amount of the relevant interest income in 2002.

The movement in provisions can be analysed as follows:

*(CZK thousand)*

	General provisions for loans	Provisions for interest bonus	Other provisions	Total provisions
As at January 1, 2000 .....	186,199	144,220	291,243	621,662
Additions .....	84,243	472,837	2,522	559,602
Usage .....	-	- 271,698	-	- 271,698
Write backs .....	-	-	- 266,255	- 266,255
As at December 31, 2000 .....	270,442	345,359	27,510	643,311
Additions .....	-	539,408	3,690	543,098
Usage .....	-	- 349,970	-	- 349,970
Write backs .....	-	-	- 20,961	- 20,961
As at December 31, 2001 .....	270,442	534,797	10,239	815,478
Additions .....	-	451,237	7,476	458,713
Usage .....	-	- 281,544	-	- 281,544
Write backs .....	- 147,611	-	- 5,718	- 153,329
<b>As at December 31, 2002 .....</b>	<b>122,831</b>	<b>704,490</b>	<b>11,997</b>	<b>839,318</b>

The movements in allowances can be analysed as follows:

(CZK thousand)

	Impaired loans to customers	Securities held-to- maturity	Other assets	Total
As at January 1, 2000 .....	59,874	-	778	60,652
Additions .....	20,248	24,318	238	44,804
Usage .....	-	-	- 172	- 172
As at December 31, 2000 .....	80,122	24,318	844	105,284
Additions .....	20,021	-	954	20,975
Usage .....	- 51	-	- 206	- 257
Write backs .....	-	- 24,318	-	- 24,318
K 31. prosinci 2001 .....	100,092	-	1,592	101,684
Additions .....	11,063	-	301	11,364
Usage .....	- 26	-	- 412	- 438
Write backs .....	-	-	-	-
<b>As at December 31, 2002 .....</b>	<b>111,129</b>	<b>-</b>	<b>1,481</b>	<b>112,610</b>

#### Write-offs and recovery of amounts written off previously

(CZK thousand)

	2002		2001		2000	
	Amounts written off	Recovery of amounts written off previously	Amounts written off	Recovery of amounts written off previously	Amounts written off	Recovery of amounts written off previously
Customers .....	58	-	91	-	33	29
Sales representatives .....	262	8	163	2	109	10
<b>Total .....</b>	<b>320</b>	<b>8</b>	<b>254</b>	<b>2</b>	<b>142</b>	<b>39</b>

Bad debts are written off against allowances.

## 11. Due to Banks

As at December 31, 2002, 2001 and 2000, the Savings Bank reported no amounts payable to banks.

## 12. Due to Customers

Due to customers can be classified as follows:

*(December 31; CZK thousand)*

	2002	2001	2000
Customers deposits within the frame of building savings .....	64,008,125	48,715,904	40,161,228

According to the Savings Bank's General Business Terms and Conditions, the customer may withdraw from a building savings agreement on the basis of a written notice. The period of notice is three calendar months.

### Deposits from related parties

*(December 31; CZK thousand)*

	2002	2001	2000
Members of Board of Directors .....	292	253	9
Members of Supervisory Board .....	389	543	464
Management .....	2,162	1,023	618
<b>Total deposits from related parties .....</b>	<b>2,843</b>	<b>1,819</b>	<b>1,091</b>

The Savings Bank accepts deposits only from Members of Board of Directors, Supervisory Board and Management with Czech citizenship. These are building savings deposits that were accepted under the same terms and conditions and at the same interest rates as those valid for other customers of the Savings Bank.

## 13. Other Liabilities

*(December 31; CZK thousand)*

	2002	2001	2000
Anticipated liabilities .....	54,742	91,592	67,367
Settlement clearance accounts .....	-	-	306
Deferred tax liability (Note 22) .....	84,038	48,449	45,809
Liabilities on unpaid amounts from cancelled deposit accounts of customers .....	1,364,360	1,764,422	1,581,790
Liabilities on unassigned payments of customers .....	985,518	355,783	415,834
Other liabilities .....	472,247	414,889	436,113
<b>Other liabilities .....</b>	<b>2,960,905</b>	<b>2,675,135</b>	<b>2,547,219</b>

## 14. Equity and Profit Distribution

### Share capital

As at December 31, 2002, 2001 and 2000, share capital comprised the following issues of shares:

ISIN	Date of issue	Date of registration	Nominal value of share (CZK thousand)	Number of shares	Nominal value (CZK thousand)
770990001750	December 7, 1999	December 7, 1999	75,000,000	20	1,500,000

### Shareholders

Name and registered office	Interest
Československá obchodní banka, a.s., Prague (ČSOB, a.s.) .....	55
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall .....	45
<b>Total</b> .....	<b>100</b>

In accordance with the valid Articles of Association of the Savings Bank:

- The General Meeting has a quorum if shareholders are present who own shares with a nominal value corresponding to at least 80% of the registered capital of the Savings Bank.
- The consent of at least 80% of the votes of all the shareholders present is required for acceptance of a decision that belongs in the decision-making area of the General Assembly.

The shares of the Savings Bank are not tradable on public markets.

### Profit distribution

The 2000 and 2001 net profit was allocated and the profit for 2002 is proposed to be allocated, as follows:

(CZK thousand)	2002	2001	2000
Social fund .....	13,500	8,200	8,190
Other funds from profits .....	200,000	71,115	16,960
Tantiems for the Board of Directors .....	13,300	12,300	11,400
Tantiems for the Supervisory Board .....	600	567	600
Dividends .....	375,000	375,000	375,000
Retained earnings .....	77,993	47,850	-
<b>Net profit</b> .....	<b>680,393</b>	<b>515,032</b>	<b>412,150</b>

Tantiems for the members of the Board of Directors and social fund contributions are in accordance with the Czech rules not charged to the income statement in accordance with Czech accounting rules.

## 15. Contingencies and Commitments

As at December 31, 2002, 2001 and 2000, the Savings Bank did not provide any guarantees to banks or customers.

(December 31; CZK thousand)

	2002	2001	2000
<b>Guarantees and collaterals received</b>			
from banks in the group .....	49,000	138,000	138,000
from customers .....	18,828,448	14,457,532	12,431,688
	<b>18,877,448</b>	<b>14,595,532</b>	<b>12,569,688</b>
<b>Loan commitments to customers .....</b>	<b>2,588,922</b>	<b>2,054,316</b>	<b>1,847,078</b>
<b>Assets placed in custody</b>			
Floating rate government bonds .....	-	24	24

## 16. Interest Income and Similar Income

(CZK thousand)

	2002	2001	2000
Interest on inter-bank transactions .....	716,796	681,177	635,111
Interest on loans to customers and state .....	988,608	902,896	892,456
Interest on debt securities acquired in primary issues .....	162,170	110,295	52,100
Interest on debts held-to-maturity .....	1,439,256	1,203,752	1,136,590
<b>Total interest income and similar income .....</b>	<b>3,306,830</b>	<b>2,898,120</b>	<b>2,716,257</b>

As at January 1, 2002, debt securities acquired in primary issues not intended for trading were removed from securities held-to-maturity and included amongst accounts receivable from customers. On this basis, the income from these securities is not recognised as part of the debt securities income.

The management estimates that CZK 30.4 million of interest income was recognised on impaired loans in the year ended December 31, 2002 (2001: CZK 31.3 million, 2000: CZK 32.3 million).

The Savings Bank does not apply penalty interest for receivables (loans granted to individuals and corporate clients).

(CZK thousand)

	2002	2001	2000
Penalty interest not applied at loan accounts .....	1,868	1,623	1,500
Penalty interest not applied at bridging loans accounts .....	818	1,490	1,300
<b>Total interest not applied .....</b>	<b>2,686</b>	<b>3,113</b>	<b>2,800</b>

## 17. Interest Expense and Similar Expense

(CZK thousand)

	2002	2001	2000
Interest on inter-bank transactions .....	7,438	5,263	-
Interest on deposits from customers and state .....	1,923,606	1,654,167	1,363,044
<b>Total interest expense .....</b>	<b>1,931,044</b>	<b>1,659,430</b>	<b>1,363,044</b>

## 18. Fee and Commission Income and Expense

(CZK thousand)

	2002	2001	2000
Fees from concluded agreements .....	704,735	742,086	590,293
Income from fee for account maintenance .....	331,217	259,010	181,744
Other fee income .....	16,828	17,189	18,369
<b>Total commission and fee income .....</b>	<b>1,052,780</b>	<b>1,018,285</b>	<b>790,406</b>

The fee and commission costs consist especially of commissions to external financial advisors.

## 19. Gains Less Losses from Financial Transactions

(CZK thousand)

	2002	2001	2000
Realized gains less losses from the sale of securities .....	- 6,191	38,346	- 9,873
Gains less losses from foreign currency transactions .....	324	2,232	- 5,262
<b>Total .....</b>	<b>- 5,867</b>	<b>40,578</b>	<b>- 15,135</b>

The realized gains less losses from the sale of securities in 2000 include the provisions for government bonds and mortgage bonds in the amount of CZK 24,318 thousand. This provision was written back in 2001 in realized gains less losses from the sale of securities.

## 20. Other Operating Income

(CZK thousand)

	2002	2001	2000
Income from rentals .....	570	506	492
Other operating income .....	2,726	3,073	7,553
<b>Total other operating income .....</b>	<b>3,296</b>	<b>3,579</b>	<b>8,045</b>

## 21. Administrative Expenses

(CZK thousand)

	2002	2001	2000
Rent and lease charges .....	8,424	9,394	18,565
Staff costs .....	310,456	272,032	266,307
Depreciation and amortisation .....	177,807	174,906	173,444
Audit, tax and legal advisory services .....	2,503	2,650	2,085
Other administrative expenses .....	329,442	355,432	322,282
<b>Total administrative expenses .....</b>	<b>828,632</b>	<b>814,414</b>	<b>782,683</b>

Staff costs can be analysed as follows:

(CZK thousand)

	2002	2001	2000
Wages and remuneration of Board of Directors .....	24,369	13,356	24,904
Wages and remuneration of Supervisory Board .....	3,230	1,361	1,392
Other wages and salaries .....	206,551	187,729	170,629
<b>Total wages and salaries .....</b>	<b>234,150</b>	<b>202,446</b>	<b>196,925</b>
Social and health insurance .....	76,306	69,586	69,382
<b>Total staff costs .....</b>	<b>310,456</b>	<b>272,032</b>	<b>266,307</b>

Wages and remuneration of the Board of Directors include compensation for their board duties as well as compensation for their executive role.

Staff statistics

	2002	2001	2000
Average number of employees .....	509	487	482
Number of members of the Board of Directors .....	4	4	4
Number of members of the Supervisory Board .....	6	6	6

## 22. Taxation

(CZK thousand)

	2002	2001	2000
Profit before taxation .....	618,378	322,315	430,468
Permanent differences between profit and tax base .....	- 197,030	- 651,251	- 869,008
Temporary differences newly included in the base for deferred tax calculation (change in the accounting method, see Notes 2p, 2q, as at January 1) .....	- 621,397	- 416,500	-
Tax loss created in the accounting period .....	-	123,768	497,630
Tax loss (-) / tax base (+) .....	- 200,049	- 621,668	59,090
Corporate tax charge at 31 % .....	62,015	192,717	- 18,318

Taxation consists only of deferred tax.

### Deferred income tax liabilities:

Accelerated tax depreciation .....	84,038	48,449	45,809
	<b>84,038</b>	<b>48,449</b>	<b>45,809</b>

### Deferred income tax assets:

Loan loss provisions .....	27,360	25,903	-
Other provisions and reserves .....	222,569	169,454	-
Tax loss carried forwards .....	43,032	-	-
	<b>292,961</b>	<b>195,357</b>	-

## 23. Financial Risks

### (a) Strategy in using financial instruments

The activities of the Savings Bank consist of accepting the deposits of participants in building savings and in providing building savings loans. A fixed interest rate is agreed for deposits and loans over the entire period.

Unused funds of the Savings Bank, which constitute the difference between deposits of the participants in building savings and loans provided, are employed to provide bridging loans to customers or are invested in high quality assets. The assets in which unused funds may be invested are delimited by the Act on Building Savings. All these assets are purchased with the intent and ability to hold them to maturity. The Savings Bank does not further trade these financial instruments on the market and does not exploit short-term fluctuations on the market.

The Board of Directors of the Savings Bank stipulates the level of participation in individual counterparties and in individual kinds of financial instruments.

**(b) Credit risks**

The Savings Bank controls the level of credit risk undertaken through setting limits for individual counterparties and instruments. Compliance with these limits is regularly controlled and evaluated. The risk level for individual counterparties is regularly re-evaluated and the limits are adjusted on the basis of risk analysis. In setting limits for the individual counterparties for banks, the Savings Bank utilizes the evaluations of rating agencies.

Receivables from individuals are categorized on the basis of the number of unpaid monthly amortization payments for building savings loans and according to the number of unpaid monthly payments of interest on bridging loans.

Additional criteria related to his financial situation are employed for classification of corporate clients.

With respect to the character of receivables based on customer loans, the Savings Bank does not employ the assessment published by assessment agencies in categorizing these receivables.

Provisions for classified loans are created according to the principles described in part 2(i).

To decrease credit risks, the Savings Bank requires security for loans provided to customers. The forms of security accepted and the means of evaluating collaterals are regulated by an internal regulation, which is regularly updated. The Savings Bank does not require any security for loans not exceeding CZK 150,000.

**Classification according to geographical segments**

All the assets and liabilities of the Savings Bank as at December 31, 2002, 2001 and 2000 are related to domestic entities.

**Information on segments according to categories of customers**

The activities of the Savings Bank as at December 31, 2002, 2001 and 2000 were homogeneous and purely retail in nature, concentrated on the building savings product.

**(c) Interest rate risk**

The Savings Bank is exposed to interest rate risks as a consequence of the open position between assets and liabilities. The Savings Bank devotes considerable attention to this risk.

The regularly established GAP analysis method is used for the measuring and quantification of the interest rate risk. The management of the Savings Bank is regularly informed of the interest rate risk level.

The established GAP analysis focuses on the sensitivity of assets and liabilities to changes in the market interest rates in the form of the resultant effect on the business of the Savings Bank. Part of this analysis consists of a scenario of the decrease in market rates by 1%, which the Savings Bank considers as constituting a stress situation. The GAP analysis is carried out and the outputs are analyzed regularly at the end of each month.

In accordance with Act No. 96/1993 Coll., on building savings, as amended, the Savings Bank cannot employ hedging derivatives to control interest rate risk.

The following table summarizes the exposure of the Savings Bank to interest rate risk. The table contains the Savings Bank's interest bearing assets and liabilities at carrying amounts, categorised by residual maturity dates:

### December 31, 2002

(CZK thousand)

Assets	Within 3 months	3 – 12 months	1 – 5 years	More than 5 years	Interest- free	Total
Cash in hand, deposits with central banks .....	107,103	-	-	-	283	107,386
State treasury bills and other securities .....	3,734,166	9,892,583	-	-	-	13,626,749
Due from banks .....	10,047,275	10,457,458	3,095,313	-	-	23,600,046
of which: securities purchased in the primary issue .....	-	1,264	995,313	-	-	996,577
Due from customers .....	2,243,005	3,986,888	11,507,426	1,281,983	58,242	19,077,544
of which: securities purchased in the primary issue .....	595,531	21,736	2,199,468	-	-	2,816,735
Debt securities .....	1,774,977	2,349,631	9,197,797	249,605	-	13,572,010
Investment in associates .....	-	-	-	-	3,000	3,000
Other assets .....	-	-	-	-	1,973,012	1,973,012
<b>Total assets .....</b>	<b>17,906,526</b>	<b>26,686,560</b>	<b>23,800,536</b>	<b>1,531,588</b>	<b>2,034,537</b>	<b>71,959,747</b>
<b>Liabilities</b>						
Due to customers .....	4,694,752	11,908,396	45,698,609	1,706,368	-	64,008,125
Provisions .....	-	-	-	-	839,318	839,318
Other liabilities .....	-	-	-	-	2,960,959	2,960,959
Equity .....	-	-	-	-	4,151,345	4,151,345
<b>Total liabilities .....</b>	<b>4,694,752</b>	<b>11,908,396</b>	<b>45,698,609</b>	<b>1,706,368</b>	<b>7,951,622</b>	<b>71,959,747</b>
<b>Open positions .....</b>	<b>13,211,774</b>	<b>14,778,164</b>	<b>-21,898,073</b>	<b>-174,780</b>	<b>-</b>	<b>-</b>

## December 31, 2001

(CZK thousand)

Assets	Within 3 months	3 – 12 months	1 – 5 years	More than 5 years	Interest- free	Total
Cash in hand, deposits with central banks .....	2,879	-	-	-	201	3,080
State treasury bills and other securities .....	2,619,799	2,824,116	-	-	-	5,443,915
Due from banks .....	8,793,945	5,041,798	2,300,000	-	-	16,135,743
of which: securities purchased in the primary issue .....	-	-	-	-	-	-
Due from customers .....	1,622,293	3,489,601	9,161,226	1,560,706	62,080	15,895,906
of which: securities purchased in the primary issue .....	95,350	14,544	1,893,344	405,587	-	2,408,825
Debt securities .....	2,607,365	1,989,395	9,207,105	2,907,744	-	16,711,609
Investment in associates .....	-	-	-	-	3,000	3,000
Other assets .....	-	-	-	-	1,879,298	1,879,298
<b>Total assets .....</b>	<b>15,646,281</b>	<b>13,344,910</b>	<b>20,668,331</b>	<b>4,468,450</b>	<b>1,944,579</b>	<b>56,072,551</b>
<b>Liabilities</b>						
Due to customers .....	4,189,548	8,500,913	34,673,397	1,352,046	-	48,715,904
Provisions .....	-	-	-	-	815,478	815,478
Other liabilities .....	-	-	-	-	2,675,338	2,675,338
Equity .....	-	-	-	-	3,865,831	3,865,831
<b>Total liabilities .....</b>	<b>4,189,548</b>	<b>8,500,913</b>	<b>34,673,397</b>	<b>1,352,046</b>	<b>7,356,647</b>	<b>56,072,551</b>
<b>Open positions .....</b>	<b>11,456,733</b>	<b>4,843,997</b>	<b>-14,005,066</b>	<b>3,116,404</b>	<b>-</b>	<b>-</b>

**December 31, 2000***(CZK thousand)*

<b>Assets</b>	<b>Within 3 months</b>	<b>3 – 12 months</b>	<b>1 – 5 years</b>	<b>More than 5 years</b>	<b>Interest- free</b>	<b>Total</b>
Cash in hand, deposits with central banks .....	718,828	-	-	-	211	719,039
State treasury bills and other securities .....	1,189,848	974,196	-	-	-	2,164,044
Due from banks .....	7,427,709	5,428,153	1,350,000	-	-	14,205,862
of which: securities purchased in the primary issue .....	-	-	-	-	-	-
Due from customers .....	1,764,333	3,821,325	7,672,897	313,917	53,896	13,626,368
of which: securities purchased in the primary issue .....	60,840	7,351	1,186,918	57,754	-	1,312,863
Debt securities .....	1,370,600	2,200,644	10,147,841	776,184	-	14,495,269
Investment in associates .....	-	-	-	-	3,000	3,000
Other assets .....	-	-	-	-	1,882,193	1,882,193
<b>Total assets .....</b>	<b>12,471,318</b>	<b>12,424,318</b>	<b>19,170,738</b>	<b>1,090,101</b>	<b>1,939,300</b>	<b>47,095,775</b>
<b>Liabilities</b>						
Due to customers .....	2,733,528	8,876,688	27,410,893	1,140,119	-	40,161,228
Provisions .....	-	-	-	-	643,311	643,311
Other liabilities .....	-	-	-	-	2,547,538	2,547,538
Equity .....	-	-	-	-	3,743,698	3,743,698
<b>Total liabilities .....</b>	<b>2,733,528</b>	<b>8,876,688</b>	<b>27,410,893</b>	<b>1,140,119</b>	<b>6,934,547</b>	<b>47,095,775</b>
<b>Open positions .....</b>	<b>9,737,790</b>	<b>3,547,630</b>	<b>- 8,240,155</b>	<b>- 50,018</b>	<b>-</b>	<b>-</b>

**(d) Foreign currency risk**

The Savings Bank is not exposed to foreign currency risks. All its assets and liabilities, except for insignificant amounts of foreign currencies on hand, are in Czech Crowns.

**(e) Liquidity risk**

The Savings Bank is exposed to day-to-day use of its monetary funds in the form of payment of loans, allocated and cancelled deposits. In controlling its liquidity, the Savings Bank proceeds in order to ensure that due assets fully cover the expected outflow of funds at all times. The Savings Bank has set liquidity limits, which are employed to cover the outflow of funds and also in case of an unexpected increase therein.

The Savings Bank implements a regular plan of trends in deposits and loans for the future, on the basis of which it has an appraisal of the volume of available funds in the years to come.

### December 31, 2002

(CZK thousand)

Assets	Within 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
Cash in hand, deposits with central banks .....	283	-	-	-	107,103	107,386
State treasury bills and other securities .....	3,734,166	9,892,583	-	-	-	13,626,749
Due from banks .....	10,047,275	10,457,458	3,095,313	-	-	23,600,046
of which: securities purchased in the primary issue .....	-	1,264	995,313	-	-	996,577
Due from customers .....	2,284,357	4,003,778	11,507,426	1,281,983	-	19,077,544
of which: securities purchased in the primary issue .....	595,531	21,736	2,199,468	-	-	2,816,735
Debt securities .....	1,774,977	2,349,631	9,197,797	249,605	-	13,572,010
Investment in associates .....	-	-	-	-	3,000	3,000
Other assets .....	289,511	133,865	1,111	-	1,548,525	1,973,012
<b>Total assets .....</b>	<b>18,130,569</b>	<b>26,837,315</b>	<b>23,801,647</b>	<b>1,531,588</b>	<b>1,658,628</b>	<b>71,959,747</b>
<b>Liabilities</b>						
Due to customers .....	4,694,752	11,908,396	45,698,609	1,706,368	-	64,008,125
Provisions .....	-	-	-	-	839,318	839,318
Other liabilities .....	2,836,415	40,506	-	-	84,038	2,960,959
Equity .....	-	-	-	-	4,151,345	4,151,345
<b>Total liabilities .....</b>	<b>7,531,167</b>	<b>11,948,902</b>	<b>45,698,609</b>	<b>1,706,368</b>	<b>5,074,701</b>	<b>71,959,747</b>

## December 31, 2001

(CZK thousand)

Assets	Within 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
Cash in hand, deposits with central banks .....	201	-	-	-	2,879	3,080
State treasury bills and other securities .....	2,619,799	2,824,116	-	-	-	5,443,915
Due from banks .....	8,793,945	5,041,798	2,300,000	-	-	16,135,743
of which: securities purchased in the primary issue .....	-	-	-	-	-	-
Due from customers .....	1,666,370	3,507,604	9,161,226	1,560,706	-	15,895,906
of which: securities purchased in the primary issue .....	95,350	14,544	1,893,344	405,587	-	2,408,825
Debt securities .....	2,607,365	1,989,395	9,207,105	2,907,744	-	16,711,609
Investment in associates .....	-	-	-	-	3,000	3,000
Other assets .....	287,877	109,723	1,111	-	1,480,587	1,879,298
<b>Total assets .....</b>	<b>15,975,557</b>	<b>13,472,636</b>	<b>20,669,442</b>	<b>4,468,450</b>	<b>1,486,466</b>	<b>56,072,551</b>
<b>Liabilities</b>						
Due to customers .....	4,189,548	8,500,913	34,673,397	1,352,046	-	48,715,904
Provisions .....	-	-	-	-	815,478	815,478
Other liabilities .....	2,583,435	43,454	-	-	48,449	2,675,338
Equity .....	-	-	-	-	3,865,831	3,865,831
<b>Total liabilities .....</b>	<b>6,772,983</b>	<b>8,544,367</b>	<b>34,673,397</b>	<b>1,352,046</b>	<b>4,729,758</b>	<b>56,072,551</b>

## December 31, 2000

(CZK thousand)

Assets	Within 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
Cash in hand, deposits with central banks .....	211	-	-	-	718,828	719,039
State treasury bills and other securities .....	1,189,848	974,196	-	-	-	2,164,044
Due from banks .....	7,427,709	5,428,153	1,350,000	-	-	14,205,862
of which: securities purchased in the primary issue .....	-	-	-	-	-	-
Due from customers .....	1,802,599	3,836,955	7,672,897	313,917	-	13,626,368
of which: securities purchased in the primary issue .....	60,840	7,351	1,186,918	57,754	-	1,312,863
Debt securities .....	1,370,600	2,200,644	10,147,841	776,184	-	14,495,269
Investment in associates .....	-	-	-	-	3,000	3,000
Other assets .....	458,143	61,607	1,114	-	1,361,329	1,882,193
<b>Total assets .....</b>	<b>12,249,110</b>	<b>12,501,555</b>	<b>19,171,852</b>	<b>1,090,101</b>	<b>2,083,157</b>	<b>47,095,775</b>
<b>Liabilities</b>						
Due to customers .....	2,733,528	8,876,688	27,410,893	1,140,119	-	40,161,228
Provisions .....	-	-	-	-	643,311	643,311
Other liabilities .....	2,466,678	35,051	-	-	45,809	2,547,538
Equity .....	-	-	-	-	3,743,698	3,743,698
<b>Total liabilities .....</b>	<b>5,200,206</b>	<b>8,911,739</b>	<b>27,410,893</b>	<b>1,140,119</b>	<b>4,432,818</b>	<b>47,095,775</b>

## 24. Subsequent Events

No important subsequent events occurred in the period between December 31, 2002 and the financial statements date.

These financial statements were approved by the Board of Directors for submission to the General Meeting of Shareholders and signed on their behalf by:

March 6, 2003

**Signature of the  
statutory representative**

**Person responsible  
for accounting**

**Person responsible for  
the financial statements preparation**



.....  
**Ing. Pavel Strnad**  
Chairman of the Board of Directors



.....  
**Ing. Břetislav Durčák**  
Financial Director



.....  
**Ing. Ivana Dykastová**  
Financial Analyst



.....  
**Walter Böhm**  
Vice-Chairman of the Board of Directors



.....  
**Ing. Anna Pozdílková**  
Financial Analyst

## REPORT CONCERNING RELATIONS AMONG INTERRELATED COMPANIES, ISSUED PURSUANT TO THE PROVISIONS OF SECTION 66A (9) OF THE COMMERCIAL CODE (513/1991 COLL.)

This report has been made out by the Board of Directors of Českomoravská stavební spořitelna, akciová společnost (Czech-Moravian Building Savings Bank, joint-stock company), in line with the provisions of Section 66a (9) of the Commercial Code (513/1991 Coll.), as amended.

The aforesaid law considers the following entities to be interconnected:

- Controlling company: Československá obchodní banka, a.s.
- Controlled companies, i.e. other companies controlled by the same controlling company.

The record period is from January 1, 2002 to December 31, 2002

During the record period ČMSS, a.s. concluded the following contract with interrelated companies:

### Contracts Concluded in 2002

Title	Concluded with
1. Contract of confidentiality .....	Československá obchodní banka, a.s.
2. 177 contracts (confirmations) of deposit .....	Československá obchodní banka, a.s.
3. 71 contracts of purchase or sale of securities (government bonds, treasury bills) .....	Československá obchodní banka, a.s.
4. Contract for provision of cable route .....	Československá obchodní banka, a.s.
5. Contract for concern audit and confidentiality .....	Československá obchodní banka, a.s.
6. Contract for use of parking space .....	IPB Real, a.s.
7. Lease agreement .....	IPB Real, a.s.
8. Insurance contracts .....	IPB Pojišťovna, a.s.

The following measures were adopted in 2002:

### Measures

Description	Measure adopted on request of
1. Processing documents for consolidation according to BAS, IAS and CAS .....	Československá obchodní banka, a.s.
2. Reports concerning the fulfilment business and financial plan ....	Československá obchodní banka, a.s.
3. Presentation of financial statement (balance sheet, profit and loss account) and selected indices concerning the portfolio of building saving subscribers .....	Československá obchodní banka, a.s.
4. Draft business and financial plan for the year 2003 .....	Československá obchodní banka, a.s.

The objective of these measures is to ensure the information function of the bank with controlled companies. None of the measures is disadvantageous for the bank.

The final section comprises an account and evaluation of mutual relations implemented among interconnected companies during the record period.

### Mutual Relations Arising from Contracts Concluded During and Prior to the Record Period

	Contract	Counterparty	Consideration	Fulfilment	Detriment
1.	Commission contract concerning settlement of security trading	Československá obchodní banka, a.s.	Fee for settlement of security trading	Settlement of security trading	None
2.	Contract for cooperation concerning the conclusion of building saving contracts	Československá obchodní banka, a.s.	Commission for concluded contracts	Conclusion of contracts, activities aimed at conclusion of contracts	None
3.	Contracts (confirmations) of deposit	Československá obchodní banka, a.s.	Term deposits	Československá obchodní banka, a.s. will return the deposit after a certain time, together with interests	None
4.	Contracts for purchase or sale of securities	Československá obchodní banka, a.s.	Purchase price for securities	Securities	None
5.	Contracts for operation of current account	Československá obchodní banka, a.s.	Fees for operation of checking accounts, fees for foreign payment transactions	Services associated with operation of accounts	None
6.	Contract for confidentiality	Československá obchodní banka, a.s.	Provision of information	Confidentiality	None
7.	Contract for settlement of transactions in TKD system	Československá obchodní banka, a.s.	Fees for settlement of transactions in TKD system	Settlement of transactions in TKD system	None
8.	Contract for issue of cheque coupons by ČSOB and their processing in ČSOB	Československá obchodní banka, a.s.	Fees for issue of cheque coupons and their processing in ČSOB	Issue of cheque coupons and their processing in ČSOB	None
9.	Contract for use of IPB Homebanking	Československá obchodní banka, a.s.	Fees for use of IPB Homebanking	IPB Homebanking	None
10.	Contract for use of night deposit	Československá obchodní banka, a.s.	Fees for use of night deposit	ČSOB allows the use of its night deposit	None
11.	Contract for provision of cable route	Československá obchodní banka, a.s.	Fee for provision of cable route	Provision of cable route	None
12.	Collateral deed	Československá obchodní banka, a.s.	Fees for bank's collateral	Bank's collateral	None
13.	Contract on payment of fees for cash payments with the prefix code 7960	Československá obchodní banka, a.s.	Compensation for cash payments	Acceptance of cash payments by tellers of ČSOB	None
14.	Contract for concern audit and confidentiality	Československá obchodní banka, a.s.	Provision of information	Confidentiality	None
15.	Contract for cooperation	Českomoravská hypoteční banka, a.s.	Commission for concluded contracts	Conclusion of contracts, activities aimed at conclusion of contracts	None
16.	Contract on lease of non-residential premises	IPB Pojišťovna, a.s.	Payment of rental	Lease of non-residential premises	None
17.	Insurance contracts	IPB Pojišťovna, a.s.	Payment of insurance premium	Insurance of a collection of items	None
18.	Contract for cooperation	IPB Pojišťovna, a.s.	Commission for concluded contracts	Conclusion of contracts, activities aimed at conclusion of contracts	None
19.	Lease agreement	IPB Real, a.s.	Payment of rental	Lease of non-residential premises	None
20.	Contract for use of parking space	IPB Real, a.s.	Fee for use of parking spaces	Possibility of using parking spaces	None

## Conclusion

The Board of Directors of ČMSS, a.s. hereby claims that it has made every effort of careful management to ascertain the scope of interrelated companies for the purposes of this report and that that it contacted the company controlling ČMSS, a.s. to inquire about other companies controlled by the controlling company.

The Board of Directors of ČMSS, a.s. is convinced that the considerations and fulfilments provided according to the mutual covenants of the interconnected companies described above were at a standard level.

March 5, 2003

Českomoravská stavební spořitelna, akciová společnost



Ing. Pavel Strnad

Chairman of the Board of Directors



Walter Böhm

Vice-Chairman of the Board of Directors



**Českomoravská stavební spořitelna, a.s.**

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