



*GE Capital Bank*

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*Annual Report*  
*2002*  
*GE Capital Bank*

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*GE Capital Bank Annual Report*

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## Dear Customers, Shareholders, Colleagues,



*After my first year in the role of general director and chairman of the board of GE Capital Bank I can express my pleasure in the annual report of GE Capital Bank, a.s. that 2002 was a successful year for us. This is not just an empty phrase, it's clearly backed up by the bank's financial results: net profit grew year-on-year by 8.1% to CZK 911 million, the volume of loans provided to clients grew by 67.3% to CZK 19.7 billion (see graph No.1), capital adequacy remains above 29%, net profit per employee grew by 10.9% to CZK 467 000. All this while maintaining a high level of satisfaction and loyalty among our customers, the number of which has grown by 11 percent to 643 000.*

*But the year wasn't just about satisfied customers.*

*The professional public also noted and awarded our successes. The growth in the number of products for retail clients and small and medium-sized companies that GE Capital Bank recorded, and not just last year, was rewarded with the award of Most Dynamic Bank of 2002 in the MasterCard Bank of the Year 2002 competition. Apart from the aforementioned prize, we also received the Account of the Year 2002 award and GE Capital Bank also scored well in two other categories – Bank of the Year 2002 and Direct Banking of the Year 2002 – coming in third place.*

*It was not just the bank that had a successful year in 2002, but what is more important for its clients and partners, the whole General Electric group did well, which GE Capital Bank is an inseparable part of. General Electric, the largest company in the world in terms of market capitalization, attained a net profit of USD 14.1 billion in 2002. The company's income in 2002 reached USD 131.7 billion and its overall assets totalled more than USD 575 billion.*

*At the same time the company's organizational structure was simplified – GE now consists of 13 companies, the activities of which cover the production of aircraft engines, through to medical equipment and the provision of financial services. The profit of the financial division, GE Consumer Finance, which is represented in the Czech Republic by GE Capital Bank plus GE Capital Multiservis and GE Capital Leasing, reached USD 1.93 billion in 2002. GE Consumer Finance provides, for instance, credit cards, consumer loans, instalment*

*payments, vehicle leasing, plus mortgage loans for more than 100 million clients in 35 countries around the world.*

*The year 2002 was a year of expansion for GE Capital Bank in the loans and direct banking segments. At the end of 2002 GE Capital Bank had almost 643 000 clients. That is a year-on-year growth of more than 11% (at the end of 2001 the bank had almost 578 000 clients). In 12 months the number of clients at the bank grew by more than 65 000 (see graph No. 2). The growth in the number of clients was accompanied by a growth in the number of deposit accounts managed by GE Capital Bank. By the end of 2002 our clients had set up more than 835 000 deposit accounts at GE Capital Bank. In comparison with the end of 2001 this is a growth of almost 9%. The growth in the number of clients and accounts is a reflection of the interest of customers in the bank's services and products. Last year GE Capital Bank presented a number of new products that motivated this interest. This is particularly the case for the GENius current account.*

*GE Capital Bank offered the GENius current account to customers as of March 2002. The quality of this GE Capital Bank product is confirmed not just by the interest of customers, but the fact that it received the Account of the Year 2002 award in the MasterCard Bank of the Year competition. The GENius current account enables customers to undertake every payment operations, run an overdraft, receive a monthly*

balance statement, use the account through two direct banking channels of the customer's choice (Mobil Banka, Telefon Banka, Internet Banka GENius, Internet Banka Standard) and send or receive emails on their own personalized internet page through the address [www.genius.cz](http://www.genius.cz).

Thanks to the interest of clients in the GENius current account, as part of which they can use two direct banking channels, GE Capital Bank strengthened its position last year of direct banking leader on the market. At the end of 2002 the number of clients who had opted for Internet Banka passed the magical number of 100 000. By December 31, 2002 101 303 clients had opted for internet banking - Internet Banka Standard (access via a digital certificate) was used by 30 898 clients and Internet Banka GENius (access just using a name and password) was used by 70 405 clients. Mobil Banka (GSM banking) was used by 163 170 clients as of the end of 2002, Telefon Banka was used by 127 688 clients.

More than 54% of GE Capital Bank's clients were using at least one direct banking tool by the end of 2002. The most successful channel was, just like it was in the previous two years, Mobil Banka, with a third of current account owners accessing their accounts through their mobile phones. Internet banking is, however, catching up rapidly. A fifth of GE Capital Bank's clients were able to access their money via the internet as of the end of 2002.

Apart from direct banking loan products are another strategic segment for GE Capital Bank. This primarily involves consumer loans, mortgages and loans for small and medium-sized businesses.

In November 2002 three years had passed since the introduction of Expres loans by GE Capital Bank. This multi-purpose consumer loan was the first on the Czech market in 1999 that could be provided immediately and without a guarantor. Interest in GE Capital Bank consumer loans continues to grow – this is proven by the growth in the number and volume of Expres loans provided last year. In 2002 the number of loans provided grew to 192 000 and the volume exceeded CZK 7.8 billion. In comparison with the end of 2001, when the number of Expres loans provided totalled more than 116 000 and the volume totalled almost CZK 5.5 billion, this represented a growth of 64.9% in numbers and a 42.6% growth in volume.

GE Capital Bank also recorded growth in the mortgage segment. The bank provided 3 149 mortgage loans by the end of 2002 worth CZK 3 billion. In comparison with the end of 2001 this represented a 97% growth in the number of mortgages offered (at the end of 2001 there were 1 597). The volume of mortgages provided grew even more dramatically year-on-year – by 100% (at the end of 2001 the total was CZK 1.5 billion).

GE Capital Bank's clients used mortgage loans most often to buy property (65% of the mortgage loans provided last year). But clients also showed great interest in mortgage loans to build

homes – 35% of clients used their mortgage loans for this purpose. The average mortgage loan totalled CZK 960 000.

GE Capital Bank was also very successful with loan products for small and medium-sized businesses. In 2002 the bank provided five times more loans to entrepreneurs than in 2001. The overall volume of new loans totalled CZK 6.9 billion, which is 52% more than in 2001. While in the economy as a whole the number of loans to firms continues to fall, GE Capital Bank recorded further growth thanks to the simplicity and the speed with which it provides loans.

GE Capital Bank recorded its largest growth in the small standardized loans segment, such as the Small Entrepreneur's Loan and the Small Entrepreneur's Current Account. The reason for this is their simplicity, the markedly reduced administration procedures and the fact that they can be arranged within a few days.

Company clients of GE Capital Bank are particularly interested in the Small Entrepreneur's Current Account. Through this account they receive a loan option of up to CZK 500 000. Clients use these financial means as they choose. The bank provides a current account within 2 working days from when the documentation is handed in, existing clients receive it within one day. For a Small Entrepreneur's Current Account GE Capital Bank does not require property as collateral.

The benefit of a Small Entrepreneur's Loan is not just that

*it can be used for any purpose but also the speed with which it is provided. The effective approval process of GE Capital Bank enables the bank to decide within 2 working days whether to provide the loan. The Bank provides Small Entrepreneur's Loans of between CZK 500 000 to CZK 3 million. The loan is repayable up to five years. The loan is secured with property which is evaluated by independent experts.*

*GE Capital Bank's successful products include payment cards. This is testified to by the increasing number of payment cards issued by the bank. GE Capital Bank offers clients the following payment cards: Maestro, MasterCard Standard, MasterCard Internet and MasterCard Business and MasterCard Gold. By the end of 2002 the bank issued 384 446 payment cards, a year-on-year growth of 29%.*

*The undisputable interest of clients in our products and services is*

*conditioned by our ability to give clients what they expect from the bank - fast, simple and comfortable services. And we are able to provide them by having the best people. We therefore devote attention to motivation and constantly increasing the qualifications of our employees. In 2002 GE Capital Bank was evaluated as the most sought after employer in the financial services sector in the Czech Republic.*

*During the course of year our employees undergo several training courses for both personal and professional growth. It is naturally a great boost for the company when employees return from internships abroad. Only good and motivated employees are able to attain the kind of results that our clients and shareholders expect.*

*A team of high-quality employees, fast, simple and digitalized processes, building stable systems, the application of the Six sigma instruments of quality and*

*maintaining the rules of Integrity are essential factors for fulfilling our clients' needs and keeping a step ahead of the competition. According to regular research by the company AISA, clients gave GE Capital Bank the highest score on the TRIM index in 2002, making them the most satisfied customers and the most loyal to the bank.*

*The speed, simplicity and accessibility of services and processes make GE Capital Bank a continually growing bank, profitable and secure. Thank you for your support and I look forward to another successful year, this time 2003. The best is in front of us.*

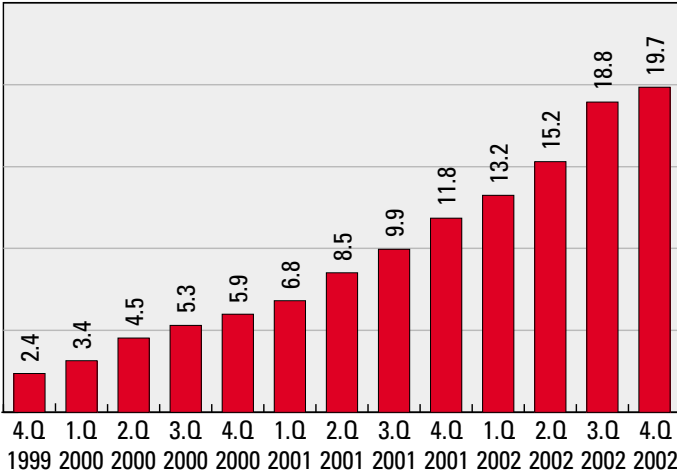
*Gerard Ryan*

*Chairman of the Board  
and General Director*

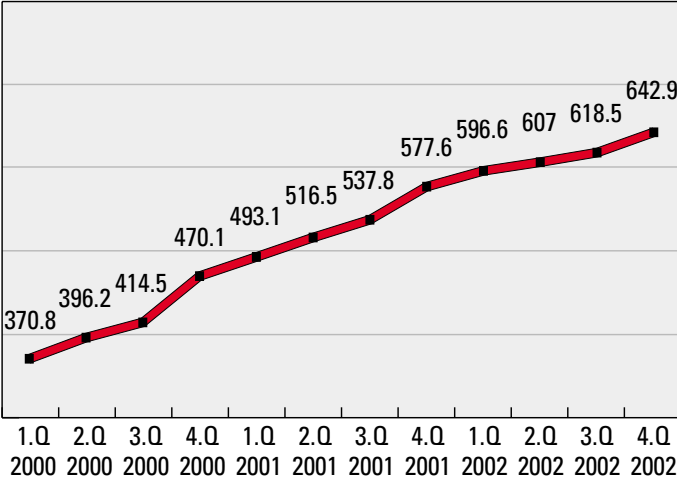
**Appendices**  
**GE Capital Bank Business results**

	31. 12. 2002	31. 12. 2001	Year-on-year change
Number of clients	642 872	577 594	11.3 %
Number of deposit accounts	835 494	767 711	8.8 %
Number of payment cards	384 446	297 946	29 %
Number of ATMs	280	222	26.2 %
<b>Expres consumer loans</b>			
Number	192 060	116 425	64.9 %
Volume (in CZK billion)	7 842	5 499	42.6 %
<b>Mortgages</b>			
a) Number	3 149	1 597	97 %
b) Volume (in CZK billion)	3.0	1.5	100 %
<b>Commercial loans</b>			
Number	14 661	3 157	364%
Volume (in CZK billion)	8 368	5 934	41%
Internet Banka – number	101 303	7 733	1210 %
Mobil Banka – number	163 170	150 086	8.7 %
Telefon Banka – number	127 688	60 613	110.7 %
Bank Klient	5 558	4 187	32.7%

**Net loans provided to clients by  
GE Capital Bank (in CZK billion)**



**Number of GE Capital Bank clients  
(in thousands)**



## **Basic Information about the Bank**

*Business name:* **GE Capital Bank, a.s.**  
*Headquarters:* **Hybernská 18, Praha 1**  
*IČO:* **25 67 27 20**  
*Legal status:* **joint stock company**

*Date of registration:* **June 9, 1998**

*Base capital:* **CZK 500 000 000**  
*Paid:* **100 %**

**500 shares issued, each with a value of CZK 1 000 000**

*Number of employees (as at 31.12. 2002):*

*Headquarters:* **770 employees**  
*Branches:* **1 179 employees**  
*Total:* **1 949 employees**

## Information about the Shareholders

*One shareholder: GE Capital International Holdings Corporation  
Corporation Trust  
1209 Orange Street  
Wilmington  
Delaware  
United States of America  
100% voting rights*

*Subject of business activities: founding daughter companies with headquarters outside the United States of America, exercising the rights linked to its property ownership and providing financial means to those companies in the form of loans or otherwise.*

The Bank didn't issue any current shares in 2002.

Shareholders as at December 31, 2002

Name	Place	Number of shares	Share in Registered Capital%
GE Capital Int'l Holding USA		500	98
Czech National Bank (not recorded in Commercial register)	Czech Republic	10	2
<b>TOTAL</b>		<b>510</b>	<b>100</b>

# Overview of the bank's activities

**The banking license allows the bank to carry out the following activities:**

1. *accepting deposits from the public*
2. *providing loans*
3. *investing in stocks and shares on its own account*
4. *financial leasing*
5. *payment operations and invoicing*
6. *issuing payment instruments, such as payment cards and travelers' checks*
7. *providing guarantees*
8. *opening letters of credit*
9. *taking care of cashiering*
10. *trading on its own account and on client accounts:*
  - *in different currencies (on its own account without restrictions, on client accounts with the exception of foreign stocks and shares and currency derivatives)*
  - *in futures and options, including exchange rate and interest rate trading (on its own account - with the exception of purchasing or selling derivatives on its own account for a third party)*
  - *with transferable stocks and shares (trading on its own account with the exception of purchasing or selling stocks and shares for a third party)*
11. *brokerage services*
12. *business consulting*
13. *depositing and managing stocks and shares or other valuables except for stocks and shares*
14. *fulfilling the function of a depositor*
15. *currency exchange activities (purchasing foreign currencies)*
16. *providing banking information*
17. *renting out safety deposit boxes*
18. *providing mortgage loans and issuing mortgage bonds*

**Overview of basic activities and services the bank actually performs:**

*In Czech crowns:*

- 1. setting up and managing current accounts, fixed-term and savings accounts in Czech crowns and providing services connected with them*
- 2. checking services*
- 3. deposit books*
- 4. Czech documentary letters of credit and cashiering*
- 5. loans and business services (business loans, consumer loans, mortgages)*
- 6. business exchange services*
- 7. bank guarantees*
- 8. purchasing debts*

*In foreign currencies:*

- 1. setting up and running current accounts and fixed-term accounts in foreign currencies*
- 2. currency exchange services*
- 3. foreign currency documentary letters of credit and cashiering*
- 4. clean payments*
- 5. checking services*
- 6. bank guarantees*
- 7. business exchange services*
- 8. loan provision*

*Other products and services:*

- 1. payment card services (according to the type of card)*
- 2. information and consulting services*
- 3. provision of bank information*
- 4. exchanging bank notes and coins*

# Supervisory Board and Board of Directors

## **Bank Supervisory Board**

**Luciano Passardi**

*Chairman of the Supervisory Board*

*(Held since 18. 1. 2002)*

**Jan Švejnar**

*Member of the Supervisory Board*

*(Held since 17. 6. 1999)*

**Pavel Zídek**

*Member of the Supervisory Board elected by employees*

*(Held since 11. 12. 2001)*

## **Board of Directors**

**Gerard Ryan**

*Chairman of the Board*

*(Held since 3. 12. 2002)*

**Jiří Klumpar**

*Deputy Chairman of the Board*

*(Held since 17. 3. 1999)*

**Sonia Slavtcheva**

*Member of the Board*

*(Held since 28. 11. 2002)*

**Miroslav Červenka**

*Member of the Board*

*(Held since 28. 11. 2002)*

**Tomáš Salomon**

*Member of the Board*

*(Held since 20. 3. 2001)*

# Divisions

## **Human Resources**

**Veronika Sodomková**  
Chief Human Resources Officer  
1. 3. 2001

## **Risk Management**

**Pavel Vyhňálek**  
Chief Risk Officer  
1. 7. 2002

## **Legal**

**Jaroslava  
Ritterskamp-Naušová**  
Chief Legal Counsel  
1. 8. 2000

## **Retail Banking**

**Tomáš Salomon**  
Chief Retail Banking Officer  
1. 2. 2000

## **Commercial Banking**

**Jan Rollo**  
Chief Commercial Banking Officer  
1. 8. 2000

## **Marketing**

**Todd Esposito**  
Chief Marketing Officer  
1. 1. 2002

## **Information Systems**

**Miroslav Červenka**  
Chief Information Officer  
1. 12. 2000

## **Quality**

**Michal Štefek**  
Chief Quality Officer  
1. 3. 2001

## **Financial**

**Sonia Slavtcheva**  
Chief Financial Officer  
1. 8. 2001

## **Operations**

**Denise Cullinan**  
Chief Operations Officer  
1. 3. 2001

## **Compliance**

**Petr Karel**  
Chief Compliance Officer  
1. 7. 2002

## **Internal Audit**

**Petr Sucharda**  
Internal Audit Manager  
17. 1. 2001

## **Business Development**

**Jiří Klumpar**  
Chief Business  
Development Officer  
1. 7. 2002

## Information about members of the bank's top management

### **Gerard Ryan**

went to university in Ireland and after graduating he joined an Irish consulting firm. He worked for several international companies in Ireland and Great Britain, where he held various, primarily finance-oriented positions. From 1992 he worked for Woodchester Credit Lyonnais Plc, which was bought by GE in 1998. Within the GE group he worked as financial director and Business Development Manager. He came to GE Capital Bank in 2002 as general director and chairman of the board.

### **Jiří Klumpar**

studied at ČVUT (Technical University) in Prague. In 1991 he joined the Czech National Bank (ČNB), where he held various positions, until in 1996 he was appointed by the ČNB to head the forced administration of Agrobanka. From 1998 he has worked in GE Capital Bank as director of the Compliance Department and from 1999 is also member of the board. From 2002 he is responsible for the Business Development Division.

### **Sonia Slavtcheva**

studied the Sofia School of Economics. Since 1991 she has been working in the Czech Republic in various international companies. She joined GE Capital Bank in 1998 after the acquisition of Agrobanka as Financial Controller. In 2001 she worked in GE Capital Bank in Germany, after that she returned to the Czech Republic and took the post of financial director at GE Capital Bank. Since 2002 she has also been a member of the board.

### **Tomáš Salomon**

studied at Comenius University in Košice. From 1994 he worked in Pepsi-Co. After the acquisition of Multiservis by GE he joined the company as business director, later he took over as general director of GE Capital Multiservis. Since 2000 he has been the director of retail banking at GE Capital Bank and since 2001 he has also been a member of the board.

### **Miroslav Červenka**

joined LET Kunovice after studying aeronautical engineering. From 1991 he worked for Andersen Consulting as a project manager. After the acquisition of Agrobanka he joined the bank in 1998 as Project Manager in the Information Technology Department. Since 2002 he has been working as the director of the Information Technology Department and is also a member of the board.

### **Veronika Sodomková**

studied at the Prague School of Economics. After graduating she worked in various international companies. From 1996 she worked for Philip Morris Czech Republic. After the acquisition of Agrobanka she joined the bank as human resources manager. In the year 2000 she worked for GE Capital Woodchester in Ireland. Since 2001 she is a member of the bank's top management and holds the position of human resources director at GE Capital Bank.

### **Pavel Vyhňálek**

studied at Mendel University in Brno. From 1992 he worked in Československá Obchodní Banka. There he first worked as in the loan department and was responsible for large corporations. In his last position at ČSOB he was responsible for risk management in the retail loan segment and mortgage loans for the entire ČSOB group in the Czech and Slovak republics. He also took part in obtaining the mortgage license for ČSOB in Slovakia and then launching the mortgage business. In 2002 he joined GE Capital Bank as risk manager.

### **Jaroslava Ritterskamp-Naušová**

studied law at Charles University in Prague. After graduating she worked in various international law firms. In 1999 she joined GE Capital in the bank's law department. Since 2002 she has been the director of GE Capital Bank legal department and is also the official representative of GE shareholders.

### **Jan Rollo**

studied at ČVUT in Prague. From 1988 he worked as a technical engineer for Swiss Air. From 1994 he held various positions in Bank Austria and CITIBANK. He joined GE Capital Bank after the acquisition and in 1998 he became commercial banking director. From 2000 he has been a member of GE Capital Bank's top management.

**Todd Esposito**

studied at Syracuse University in the United States and after graduating he joined a two-year management program in the company GE Information Services in the United States. After completing the program he became a financial analyst for GE Information Services in Austria. After the acquisition of Multiservis in the Czech Republic he joined the company as Integration Manager and after the acquisition of Agrobanka as Financial and Analysis Manager. In 2000 he became a member of the bank's top management, responsible for E-business for GE Capital Bank. Since 2002 he has been working as Marketing Director of GE Capital Bank.

**Michal Štefek**

studied at the Prague School of Economics. After graduating he worked in various international companies. From 1991 he worked in KPMG. In 1997 he joined GE Capital Multiservis as Financial Controller, later as Planning and Analysis Manager. After the acquisition he worked in Slovakia as Financial Integration Manager and Business Development Manager. In 2002 he joined GE Capital Bank as Director of Quality.

**Petr Karel**

studied law at Charles University and the Prague School of Economics, where he obtained his PhD. From 1995 he worked for the company Arsene Verny, where he worked as a consultant for the Czech government. From 1999 he worked for GE Capital Bank as a lawyer. Then he worked for two years in KB as regional manager for special business. In 2002 he joined GE as director of the Compliance Department.

**Petr Sucharda**

studied at the Prague School of Economics. After graduating he joined Ernst&Young. From 1999 he worked for GE Capital Bank as internal auditor and financial analyst. Since 2001 he has been the Internal Audit Manager at GE Capital Bank.

**Luboš Berkovec**

studied at VVTS in Liptovský Mikuláš. In 1991 he became the general director of IMP Leas, where he worked until 1998, when the company was sold to GE Capital. After the acquisition he joined GE and became the Financial Integration Manager of GE Capital Bank. Since 2001 he is a member of the bank's top management and is responsible for third party sales division and is also the managing director of the company GE Capital (Czech) Holdings.

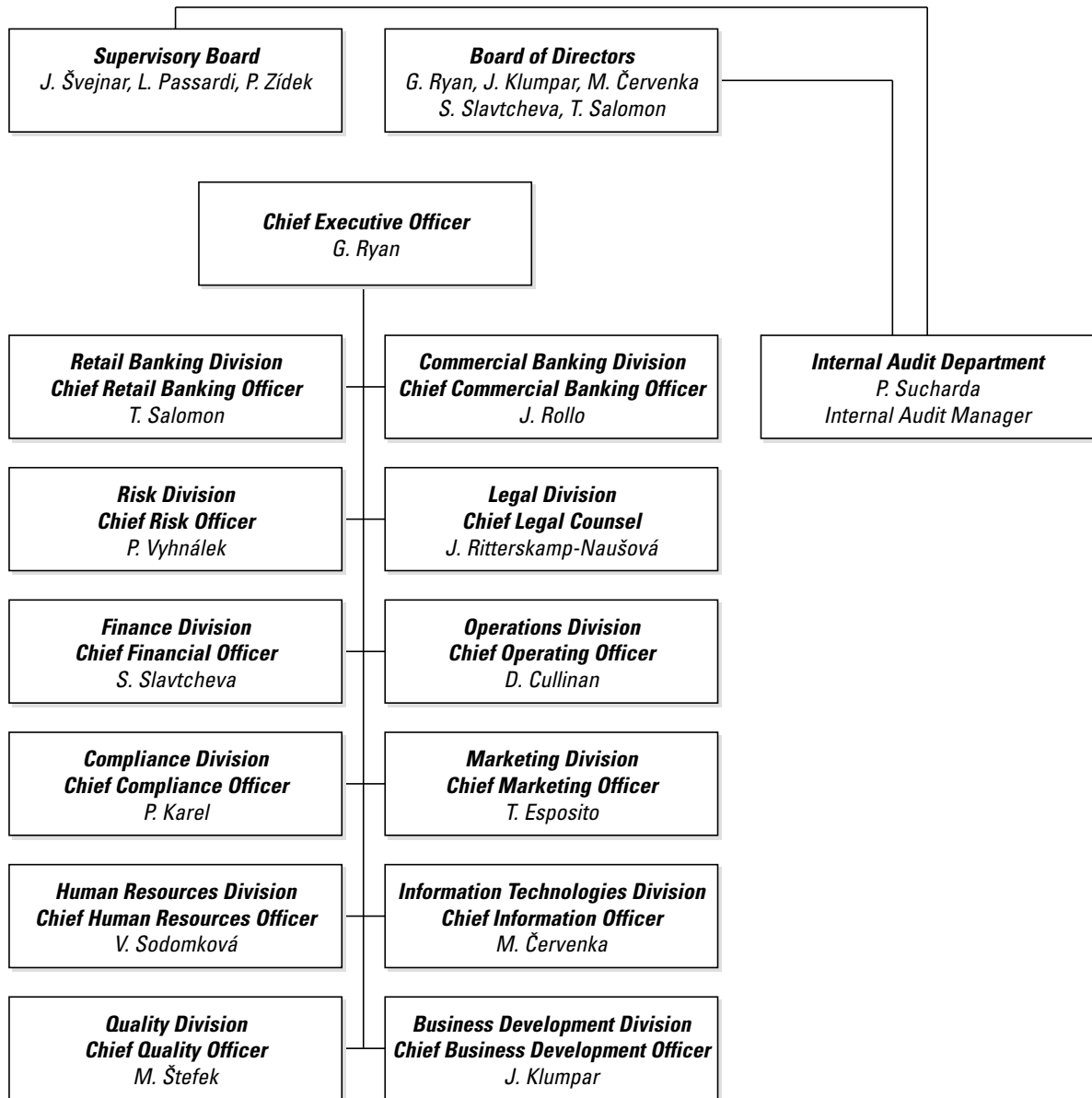
**Pavel Zídek**

studied at ČVUT in Prague and for several years he worked for various firms as information technology manager. In 1991 he joined Agrobanka, where he held various information technology posts. After the acquisition of the bank by GE he became Senior IT Manager and later also a member of the bank's supervisory board.

**Luciano Passardi**

went to university in London. After graduating he worked for Bank Aufina in Switzerland, where he remained even after its acquisition by GE. He worked in Bank Aufina until 2001 as general director and chairman of the board. He currently holds important positions in the Swiss banking world. He is president of the financial control committee of the Swiss Financial Institutions, president of the working group of the of the Swiss Banking Association, a member of the board of GE Capital Lisca in Zurich, and a member of the Rotary Club. He is a chairman of the supervisory board of GE Capital Bank.

# Organizational chart of the bank's management



# Report of the Board of Directors on business activities and property status

*The business strategy of GE Capital Bank is the provision of financial services primarily to private individuals and small and medium-sized businesses. In order to meet their requirements the bank uses a portfolio of modern and high-quality products at 187 branches (total number up to 31.12. 2002).*

*The success of the strategy and the bank's business activities is proven by the financial results of the bank. According to the bank's audited results, using Czech accounting standards, GE Capital Bank had a net profit of CZK 910.9 million last year. Compared to the results for 2001, this represented a growth in profits of 8.1 %. GE Capital Bank recorded significant growth last year in particular in the area of loan products and direct banking products. It also received the award of Most Dynamic Bank of 2002 and the number of clients grew by more than 11%.*

*At the end of 2001 the bank attained a net profit of CZK 843 million. The growth in profit was caused primarily by GE Capital Bank's expansion in the area of loan products and through offering new services that also led to an influx of new clients. Net profit per employee reached CZK 467 000 by December 31, 2002 – a year-on-year increase of 10.9 %. The figure at the end of 2001*

*totaled 421 000 per employee.*

*Last year GE Capital Bank continued with the significant expansion of its loan portfolio on the Czech market. The results speak for themselves: year-on-year the growth in the volume of loans provided totaled 67.3%. At the end of last year the volume of loans provided totaled almost CZK 19.7 billion. As of December 31, 2001, the volume was almost CZK 11.8 billion.*

*The volume of client deposits totaled CZK 41.4 billion as of December 31, 2002. By the end of 2001 the volume totaled CZK 42.3 billion. The year-on-year decrease of 2.1% was caused by lower interest on the part of clients in savings and fixed-term deposits, which is linked to the fall in interest rates on the Czech market. On the other hand, the fall in the volume of deposits in savings-type accounts was accompanied by a growth in the volume of deposits in current accounts – year-on-year these grew by CZK 1.0139 billion.*

*The balance sum of GE Capital Bank reached CZK 51.7 billion by the end of last year. At the end of 2001 it totaled CZK 78.5 billion, but the drop was caused by a change in the reporting methods for repo operations to the Czech National Bank. These are no longer listed in the balance sheet as stocks*

*and shares, but are now listed in the off-balance sheet in accordance with the new methodology. If there had been no change made to the accounting methods, the balance sum would have been CZK 0.5 billion lower at the end of 2002 than at the end of 2001.*

*The return on assets (ROA) reached a value of 1.65% at the end of 2002. In 2001 this indicator reached 1.13% – year-on-year this means a growth of almost 47%, which was influenced in particular by a change in methodology for accounting for repo operations. Return on equity (ROE) reached 11.76% as of December 31, 2002.*

*The capital adequacy of GE Capital Bank reached 29.56% at the end of last year. The Bank continues to maintain one of the highest levels of capital adequacy on the Czech market, which is significantly above the minimum level of 8% required by the Czech National Bank and this makes it one of the most stable financial institutions on the Czech market.*

*GE Capital Bank's own capital totaled almost CZK 8.66 billion as of December 31, 2002. Year-on-year this represents a growth of CZK 910 million (or 11.7%) The bank's own capital grew thanks to reinvesting profits from earlier years.*

The year 2002 was a year of expansion on the loans and direct banking markets for GE Capital Bank. By the end of 2002, GE Capital Bank had almost 643 000 clients. The growth in the number of clients was accompanied by a growth in the number of deposit accounts, which are managed by GE Capital Bank. By the end of 2002, clients of GE Capital Bank had more than 835 000 deposit accounts set up at the bank, which represents a year-on-year growth of almost 9%. And thanks to client interest in the new GENIUS current account, which was launched in the spring of 2002 (as part of which service clients can use two direct

banking tools), GE Capital Bank strengthened its position last year as the market leader in direct banking. At the end of 2002 the number of clients who had opted for the Internet Bank product passed the magical 100 000 mark.

Apart from direct banking, loan products are another strategic area for GE Capital Bank. This primarily concerns consumer loans, mortgages and loans for small and medium-sized businesses. In 2002 the bank provided five times more loans to companies and entrepreneurs than in the previous year. The overall volume of new loans totaled CZK 6.9 billion, which is 52 percent more than in 2001.

The board of directors of GE Capital Bank is satisfied with the results of the bank for 2002 and thanks all the bank's clients for their confidence in the bank and for using its services.

**Gerard Ryan,**  
Chairman of the Board  
**Jiří Klumpar,**  
Deputy Chairman of the Board  
**Sonia Slavtcheva,**  
Member of the Board  
**Tomáš Salomon,**  
Member of the Board  
**Miroslav Červenka,**  
Member of the Board

**Business results of GE Capital Bank (according to Czech accounting standards)**

	31. 12. 2002 (in CZK 000)	31. 12. 2001 (in CZK 000)	31. 12. 2000 (in CZK 000)	Year-on-year change
Net profit	910 930	843 000	719 811	8.06 %
Net profit per employee	467	421	331	15.21%
Client deposits	41 410 773	42 302 408	38 147 316	- 2.11 %
Loans to clients (net)	19 687 753	11 765 823	5 947 038	67.33 %
Equity	8 658 212	7 747 282	6 905 907	12.21 %
Return on assets	1.66 %	1.13 %	1.08 %	46.9 %
Total assets	51 711 291	78 496 113	68 728 765	-19.62 % *

\* The decrease was caused by a change in accounting methodology issued by the MoF, Czech National Bank

**Basic financial indicators:**

	2002	2001	2000	1999
Overall assets (CZK millions)	51 711 *)	78 496	68 729	53 560
Net profit (CZK millions)	911	843	720	982
Client Deposits (CZK millions)	41 410	42 302	38 149	33 034
Capital adequacy(%)	30	41	48	74
Number of employees	1 949	2 002	2 176	2 382
Number of branches	187	191	226	245

*\* The drop was caused by a change in accounting methods issued by the MoF, Czech National Bank*

## Goals and Forecast for the year 2003

*The aim of GE Capital Bank in 2003 is to continue with healthy growth in a profitable manner.*

*The thing that makes GE Capital Bank different from other financial institutions is the way that it goes about achieving that goal. GE Capital Bank will build growth through satisfying the needs of its customers, satisfying its employees and increasing productivity.*

*It is consistently seeking to lend money to private individuals and small and medium-sized companies and through its innovative approach it will stand out as different in the banking world. GE Capital Bank will offer its customers simple and fast solutions to their needs even before they realize that they need financing, so that it will not just be easy to become a client of GE Capital Bank, but to remain one.*

*For the bank to fulfill this vision in 2003, it will be necessary to attain several strategic goals: healthy growth, expand product range, reduce costs, consistently improve the quality of all banking processes, gain and hold onto the best employees and ensure the stability and effectiveness of the best information systems.*

*The basic parameter for success is of course integrity, which is like a ring around all the other aforementioned goals.*

*Let's examine the individual goals in more detail:*

### **Growth.**

*The base for healthy and successful growth is organic growth. For us to achieve this in 2003, we'll introduce several new products on the market in 2003. We will pay great attention to our mortgage loans to increase our market share and provide the best possible solutions for our clients in cooperation with real estate companies. Our Express consumer loan is one of the best loans on the market in terms of its speed and accessibility. We aim to keep hold of our existing customers and we'll offer them new, attractive products before the end of the loan cycle, such as Infolimit, which will enable clients to find out at any time how much GE Capital Bank is willing to lend them.*

### **Increasing product range.**

*We'll offer clients of GE Capital Bank new products from the range provided by our strong partners, in packages with our existing products. We'll offer installment insurance for all loan products; we'll offer it to both new and existing customers. We'll expand our product range – extended guarantee, operator services and expenses insurance.*

### **Reducing costs through digitalization.**

*This plays a decisive role in today's stable and integrated banking world (for instance, auto-dialer, IVR/SMS/internet,*

*e-scanning, e-auctions over the internet), in buying goods or services required by GE Capital Bank (public tenders over the internet) plus in the sale of our products or services to customers (through GSM, internet, telesales).*

### **Quality.**

*In today's financial market in the Czech Republic only those with a significant competitive advantage will succeed. In the case of GE Capital Bank, its advantage lies in the consistent application of the 6 sigma methodology in all banking processes, at the end of which there must be a satisfied customer.*

### **People.**

*Everything that I have mentioned so far would be ineffective if we didn't have the best people working on it. The success of GE Capital Bank today rests mainly on its employees. My main task in 2003 will be to motivate the best experts on the market to be interested in working in our bank, to continually evaluate the quality of our employees and identify those who have the potential for faster growth. We will prepare the kind of working conditions so that employees can continue to grow, we will enable them to increase their expertise through training or internships abroad. The customers are only satisfied if they always meet with the*

*professional approach of also satisfied employees of the bank.*

***Ability and effectiveness of high technologies.***

*GE Capital Bank is perceived by customers as an innovator, which is always a step ahead with its product and service range.*

*For this advantage to be maintained in 2003, we need not only excellent employees coming with new concepts, but top and stable systems, which will enable the realization of these ideas.*

*Therefore GE Capital Bank will devote attention to ensure the constant improvement of these systems in 2003.*

***Acting in accordance with the rules on integrity***

*As 2002 has shown in the case of some leading international*

*companies, the best results or products mean nothing if they have not been achieved in strict accordance with the law and the rules of integrity. One single mistake can cause not just huge losses, but also a loss of faith of the bank's clients, which is irreplaceable.*

*The bank's clients see the fulfillment of these strategic goals as coming through the SPEED, SIMPLICITY, ACCESSIBILITY, which characterize GE Capital Bank.*

*In 2002 GE Capital Bank aimed to gradually optimize its branch network; at the end of the year the number of branches reached 187, of which more than 20 % were extensively modernized. Overall, GE Capital Bank plans to*

*spend almost CZK 500 million on modernizing its branch network. In 2002 the number of GE Capital Bank ATMs grew from 222 to 280 and by the end of 2003 the bank plans to install another 50 ATMs.*

*GE Capital Bank believes that in 2003 it will increase its market share both in the consumer loans segment and in the mortgage and small and medium-sized business segments. The bank also hopes that will be able to open 100 000 new current accounts and maintain its reputation as the most dynamically growing bank of the year.*

*Gerard Ryan  
( Chairman of the Board of Directors)*

## Report of the Supervisory Board

*The supervisory board has fulfilled its tasks in accordance with the valid laws of the Czech Republic, the internal rules of the bank and its code of conduct. The board of directors of GE Capital Bank, a. s., has provided all data and information necessary for the task of verifying the bank's results.*

*The supervisory board has discussed the results of the bank's activities for 2002 as they have been listed in the financial statements, including notes verified by the auditor, and has come to the conclusion that it will present to the company's general shareholders' meeting:*

*The supervisory board recommends that the bank's financial statements for 2002 be approved at the general shareholders' meeting.*

*Luciano Passardi,  
Chairman of the Supervisory  
Board*

## Auditor's Report to the Shareholders

On the basis of our audit, on 25 March 2003 we issued an auditor's report on the Bank's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of GE Capital Bank, a.s. for the year ended 31 December 2002. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present, in all material respects, a true and fair view of the assets, liabilities, equity and financial position of GE Capital Bank, a.s. as of 31 December 2002 and the results of its operations for the year 2002 then ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic."

We have reviewed other financial information in the annual report for consistency with the audited financial statements. In our opinion, the information is consistent in all material respects with the audited financial statements.

The management of the Bank is responsible for the completeness and accuracy of the report on relations between related parties. Our responsibility is to review the accuracy of the information included in the report. During our review nothing came to our attention that would cause us to believe that the information contained in the report is materially inaccurate.

Prague  
17 June 2003

  
KPMG Česká republika Audit, spol. s r.o.  
Licence number 71

  
Ing. František Dostálek  
Licence number 176

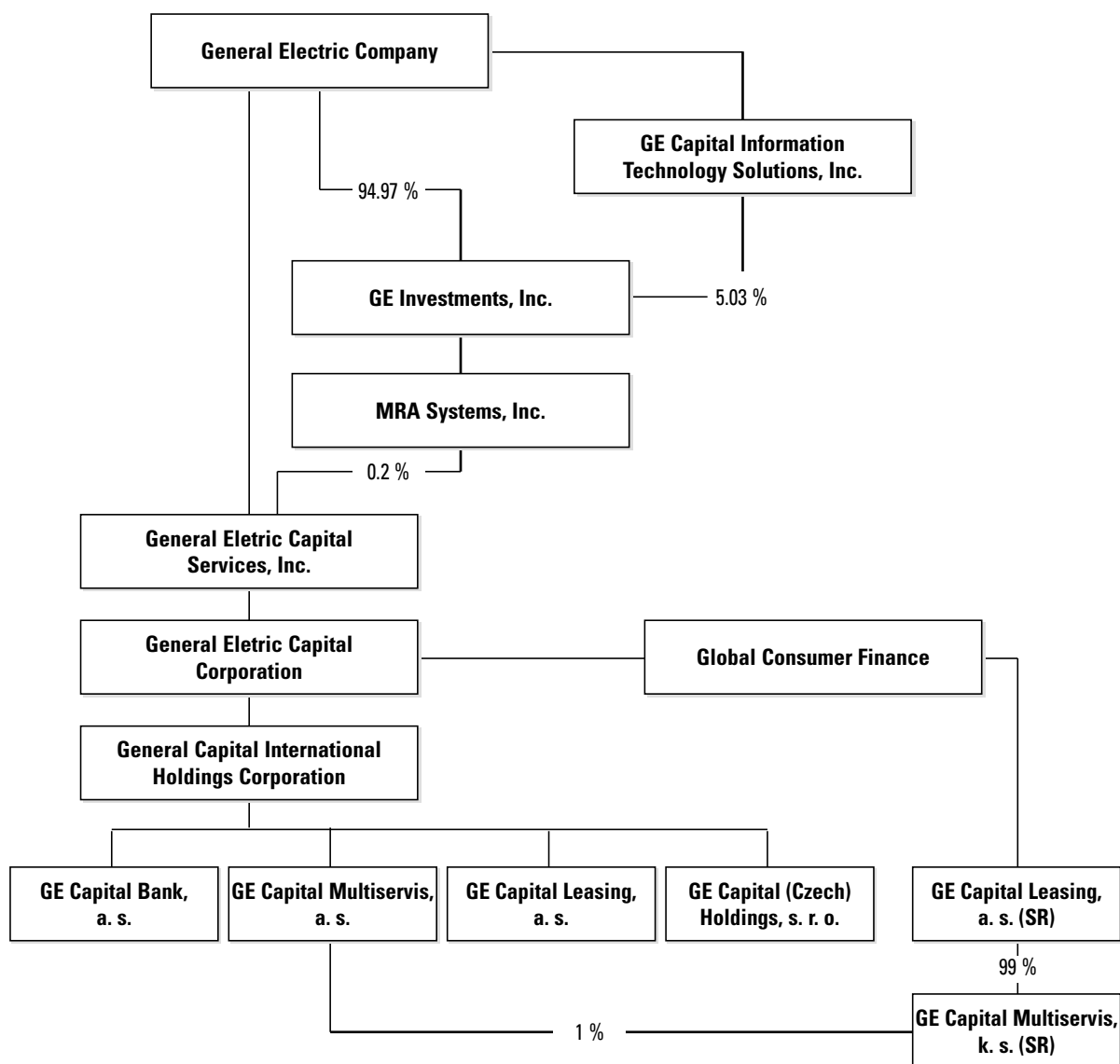
**GE Capital Bank, a.s.**

**Report  
on Relations among Affiliated Entities**

In compliance with the provision of Section 66a Sub section 9 of Act No. 513/1991 of the Collection of Laws, the Commercial Code, as amended by subsequent regulations, the Report on Relations between the company GE Capital International Holdings Corporation, with its registered office at Stamford, USA, (hereinafter referred to only as the "Controlling Entity") as the Controlling Entity and the company GE Capital Bank, a.s., with its registered office in Prague, (hereinafter referred to only as the "Controlled Entity" or the "Bank") as the Controlled Entity and between the Controlled Entity and other entities controlled by the Controlling Entity in the accounting period from January 1. 2002 to December 31. 2002 was elaborated.

This report has been elaborated for the purpose of fulfilling disclosure obligations in compliance with the provision of Section 66a, Subsection 9 of Act No. 513/1991 of the Collection of Laws, the Commercial Code, as amended by subsequent regulations.

## 1. AFFILIATION OF ENTITIES



GE Capital Bank, a. s. belongs to the GE Capital group of multinational GE Corporation, which focuses on rendering financial services, especially to small and medium-sized clients. The Bank co-operates mostly with its affiliated companies within the GE companies' framework, which mutually make use of their distribution network for providing their products, under usual business terms and conditions.

## 2. SUMMARY OF OTHER CONTRACTS AND LEGAL ACTS

### (a) Summary of Contracts

#### Paid for Contracts - Payables

The Bank concluded the hereunder contracts with the companies of the GE Group, which result in obligations arising to the Bank. These concern mandate contracts with the companies with registered seats in the Czech and Slovak Republics, on the basis of which the companies invoice the Bank with an aliquot part of the cost.

Moreover, the Bank co-operates with the company GE Capital Multiservis, a.s. (hereinafter referred to only as "Multiservis") in the utilisation of the Bank's distribution channels for Multiservis clients. The Multiservis clients, who own an O.K. card, may withdraw cash from counters of the Bank's points of sale. Multiservis pays the Bank a fixed fee for this service per 1 transaction carried out.

The Bank concluded contracts with the companies of the GE group, which relate to the implementation of deals on the money markets according to the Bank's instructions and on the Bank's account. Another type of contract, from which obligations arise, is the contract on use of the logo and the GE trademark. Moreover, the Bank has concluded contracts on utilisation of support of the GE companies in Dublin and Stamford, which they provide to departments at the headquarters and the Bank's management.

#### Contracts signed with the bank's sister companies

GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	MULTISERVIS, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	MULTISERVIS, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Contract on Business Co-operation - no financial settlement arising
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital (Czech) Holdings, s.r.o. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Contract on Co-operation
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Dobrovičova 8, Bratislava Post Code 811 09, Slovak Republic	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1, Post Code 110 00	GE Capital Leasing, a.s. Dobrovičova 8, Bratislava Post Code 811 09, Slovak Republic	Mandate Contract

#### Contracts with other companies of the GE group

GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE GmbH Vienna, Austria	Contract on Rendering Services
GE Capital Bank, a.s. Hybernská 18 Prague 1 Post Code 110 00	GE Capital Corporation	Contract on Treasury Services
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Corporation – Global Consumer Finance and GE International Incorporated	Use of GE Networks
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Registry, Inc.	Use of trademark
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Corporate Computer Services Limited - Europe Station, Kingswood	Fees for mediating services V+
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	Global Consumer Finance Summer Street 1600, Stamford U.S.A	Contract on Providing Support to Departments of the GECB Headquarters
GE Capital Bank, a.s. Hybernská 18 Prague 1 Post Code 110 00	GE Capital Woodchester Ltd. Golden Lane, Dublin 8 Ireland	Contract on Providing Support to Departments of the GECB Headquarters

#### Sublease Contracts - Receivables

The Bank concluded sublease contracts with the companies of the GE Group, which have their headquarters in the BB Centre building in Vyskočilova Street. The Bank re-invoices the costs in connection with the rent in the BB Centre building proportionally to these companies on a monthly basis.

The Bank concluded sublease contracts with Multiservis, which uses a part of the premises of the Bank's points of sale in regional towns and cities for the sale of its products. For this it pays the Bank the usual rent including proportionate associated costs of running the point of sale.

GE Capital Bank, a.s. Hybernská 18 Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract - in the BB Centre building, Prague 4, Vyskočilova 1422/1a
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract - in the BB Centre building, Prague 4, Vyskočilova 1422/1a
GE Capital Bank, a.s. Hybernská 18, Prague 1, Post Code 110 00	GE Capital (Czech) Holdings, s.r.o. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract - in the BB Centre building, Prague 4 Vyskočilova 1422/1a
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Europe Clarges House, 6-12 Clarges Street London, UK	Sublease Contract - in the BB Centre building, Prague 4 Vyskočilova 1422/1a

GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE International, Inc. Two Corporate Drive, Shelton USA	Sublease Contract - in the BB Centre building, Prague 4 Vyskočilova 1422/1a
GE Capital Bank, a.s. Hybernská 18, Prague 1, Post Code 110 00	GE Medical Systems, SA – organisational unit Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Sublease Contract - in the BB Centre building, Prague 4 Vyskočilova 1422/1a
GE Capital Bank, a.s. Hybernská 18, Prague 1, Post Code 110 00	GE Medical Systems Česká republika, s.r.o. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Sublease Contract - in the BB Centre building, Prague 4 Vyskočilova 1422/1a
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Sublease Contract - Brno, Lidická 31 terminated as of December 31. 2002
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract - České Budějovice, Jírovcová 1/1863 terminated as of December 31. 2002
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract - Olomouc, Opletalova 2 terminated as of May 31. 2002
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract - Pilsen, Anglické nábřeží 1 terminated as of May 31. 2002
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract – Pilsen, Anglické nábřeží 1
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract – Olomouc, Opletalova 2
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract – Hradec Králové, Karla IV. 502
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Sublease Contract – Brno, Lidická 31
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Lighting, s.r.o. Purkyňova 45/2740, Brno Post Code 612 00	Sublease Contract – Brno, Lidická 31

### Mandate Contracts and Other Receivables Arising from Contracts

The Bank renders services also in the non-retail area to the GE companies in the Czech and Slovak Republics. These services are rendered under usual business terms and conditions. Moreover, the Bank has the Contract on Rendering Services in the Field of IT (Information Technology) Project Management concluded with Global Consumer Finance Ltd. Furthermore, the Bank offers classic banking services to the affiliated entities under usual terms and conditions, e.g. managing current accounts.

GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, k.s. Dobrovičova 8, Bratislava Post Code 811 09, SR	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Leasing, a.s. Dobrovičova 8, Bratislava Post Code 811 09, SR	Mandate Contract
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	GE Capital Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Contract on Co-operation – entering into contracts on revolving credit on behalf of Multiservis, withdrawal by means of an O.K. card
GE Capital Bank, a.s. Hybernská 18, Prague 1 Post Code 110 00	Global Consumer Finance Ltd. Summer Street 1600, Stamford U.S.A.	Contract on Rendering Services in the Field of IT project management
GE Capital Bank, a.s. Hybernská 18 Prague 1 Post Code 110 00	GE Capital Woodchester Ltd. Golden Lane, Dublin 8 Ireland	Contract on Lease of Movable asset

#### (b) Summary of Other Legal Acts

In the course of the accounting period no legal acts outside the scope of usual legal acts implemented by the Controlling Entity within its performance of its rights as the shareholder of the Controlled Entity were carried out for benefit of the Controlling Entity and the Entities Controlled by the Controlling Entity.

The Bank only provided a bank guarantee for Multiservis for the benefit of a beneficiary (vendor) and a bank guarantee for the company Global Capital Finance Ltd. for acquisition in the Slovak Republic.

### 3. Other measures, payments and counter payments

In the course of the accounting period no other measures, payments or counter payments outside the scope of usual measures, payments or counter payments, implemented by the Controlled Entity in relation to the Controlling Entity as the shareholder of the Controlled Entity were adopted or executed on behalf or on the instigation of the Controlling Entity and Entities Controlled by the Controlling Entity.

#### 4. Bank's receivables and payables in relation to affiliated entities

As at December 31, 2002

<b>CZK 000</b>	<b>Receivables</b>	<b>Payables</b>
GE Capital Multiservis, Czech Republic	20 740	40 318
GE Capital Multiservis, Slovak Republic	2 469	-
GE Capital (Czech) Holdings, Czech Republic	147	24 306
GE International Shelton, Two Corporate Drive	-	(5 290)
GE International, Stamford	1 271	-
GE International, Milan	8	-
GE International, Czech Republic	205	-
GE ELFUN	-	300
GE Medical Systems S. A., Czech Republic	51 732	-
GE Medical Systems, Czech Republic	32	-
GE Capital Leasing, Czech Republic	8 734	117 001
GE Capital Leasing, Slovak Republic	286	4
GE Fanuc Automation, Czech Republic	1	-
GE Lighting, Czech Republic	1	-
GE Capital Woodcherster Limited Golden Lane, Ireland	413	-
GE Capital Europe Limited London, Great Britain	760	1 998
GE Client Business Services Fort Myers FL, USA	112	-
GE Capital Global Consumer Finance Stamford, USA	7 973	529
GE Marynarshi Poskicej Gdańsk, Poland	200	-
GE Financial Assurance Los Gamos Drive, USA	219	-
GE Capital Global Consumer Finance Leeds, Great Britain	104	-
GE Corporate Audit Staff, Fairfield, USA	26	-
GE Global Consumer Finance London, UK	1 557	-
GE Company, Easton Turnpike, Fairfield, USA	648	-
GE Financial Assurance Schaumburg, Illinois, USA	72	-
GE Corporate Computer Services, Bristol, England	-	271
GE Corporate Component, Philadelphia	-	92
GE Capital Corporation, Stamford, USA	-	888
GE Capital Bank, Budapest, Hungary	197	-
GE Capital Bank, Gdańsk, Poland	74	66
GE Capital Servizi Finanziari, Italy	484	-
GE Commercía Finance, Webster, USA	20	-
GE Capital, Nanterre, France	8	-
GE Plastic Europe, Bergen, The Netherlands	16	-
<b>Total</b>	<b>98 509</b>	<b>180 483</b>

#### 5. Conclusion

The Bank declares that it did not sustain any loss by virtue of entering into the above specified contracts, the above specified other legal acts or other measures and provided performances or accepted considerations.

**GE Capital Bank, a.s.**

**Financial statement**  
**For the year ended 31 December 2002**

Directive of the Ministry of Finance  
No. 282/73 391/2001  
on 7 December 2001

Name of the Bank:  
Registered office:  
Identification no:  
Business:  
Balance sheet date:  
Code of the Bank:

GE Capital Bank, a. s.  
Hybernská 18, Praha 1  
25672720  
Finantion activity - banking  
31.12.2002  
0600

## BALANCE SHEET

as at 31 December 2002

### ASSETS

CZK 000	Note	2002 Gross amount	2002 Adjustment	2002 Net amount	2001 Net amount	2000 Net amount
1 Cash in hand, balances with central banks		2 422 451	0	2 422 451	2 000 241	1 928 863
2 State zero coupon bonds and other securities eligible for refinancing with the CNB	13, 3	2 781 740	0	2 781 740	26 327 000	21 529 000
a) securities issued by the state		2 781 740	0	2 781 740	0	0
b) other		0	0	0	26 327 000	21 529 000
3 Receivables from banks, savings and loans cooperatives	11, 3	22 602 795	0	22 602 795	34 615 307	31 094 072
a) repayable on demand		29 216	0	29 216	32 725	25 293
b) other receivables		22 573 579	0	22 573 579	34 582 582	31 068 779
4 Receivables from customers, members of savings and loans cooperatives	12, 3	22 591 961	2 904 208	19 687 753	11 765 823	5 947 038
a) repayable on demand		14 667	0	14 667	1 256 747	801 079
b) other receivables		22 577 294	2 904 208	19 673 086	10 509 076	5 145 959
5 Debt securities	14	1 878 733	0	1 878 733	1 637 593	5 648 504
a) issued by government institutions		800 844	0	800 844	395 941	3 180 192
b) issued by other entities		1 077 889	0	1 077 889	1 241 652	2 468 312
6 Shares, units and other investments	15	26 394	0	26 394	26 394	26 394
7 Participation interests with substantial influence	16	240	0	240	300	0
a) in banks		0	0	0	0	0
b) in other entities		240	0	240	300	0
8 Participation interests with controlling influence		0	0	0	0	0
a) in banks		0	0	0	0	0
b) in other entities		0	0	0	0	0
9 Intangible fixed assets	17	824 749	498 895	325 854	423 623	509 643
a) establishment costs		2 045	1 534	511	920	1 329
b) goodwill		0	0	0	0	0
c) other		822 704	497 361	325 343	422 703	508 314
10 Tangible fixed assets	18	1 218 884	566 001	652 883	728 621	769 380
a) land and buildings for operating activities		160 534	49 574	110 960	102 139	124 003
b) other		1 058 350	516 427	541 923	626 482	645 377
11 Other assets	19	1 388 366	139 692	1 248 674	596 270	930 206
12 Receivables from shareholders and partners		0	0	0	0	0
13 Prepaid expenses and accrued income	3	83 774	0	83 774	374 941	345 665
<b>Total assets</b>		<b>55 820 087</b>	<b>4 108 796</b>	<b>51 711 291</b>	<b>78 496 113</b>	<b>68 728 765</b>

The notes set out on pages 41 to 77 form part of these financial statements.

**BALANCE SHEET**

as at 31 December 2002

**LIABILITIES**

CZK 000	Note	2002	2001	2000
1 Due to banks, savings and loans cooperatives	20, 3	0	26 449 306	21 631 772
a) repayable on demand		0	2 306	2 772
b) other payables		0	26 447 000	21 629 000
2 Due to customers, members of savings and loans cooperatives	21, 3	41 410 773	42 302 408	38 149 292
a) repayable on demand		24 470 158	22 897 509	21 110 421
thereof: savings		758 408	751 544	761 407
b) other		16 940 615	19 404 899	17 038 871
thereof: ba) savings with maturity		0	0	0
bb) savings with a notice period		4 635 815	5 454 133	5 894 208
bc) term instruments with fixed maturity		12 304 800	13 950 766	11 144 663
bd) term instruments with a notice period		0	0	0
3 Payables from debt securities		0	0	0
a) debt securities issued		0	0	0
b) other payables from debt securities		0	0	0
4 Other liabilities	23	1 502 253	1 227 952	1 382 622
5 Deferred income and accrued expenses	3	134 815	239 102	310 286
6 Reserves	26, 3	5 237	530 063	348 886
a) reserves for pensions and similar liabilities		0	0	0
b) income tax reserves		0	0	0
c) other reserves		5 237	530 063	348 886
7 Subordinated liabilities		0	0	0
8 Registered capital	24	500 000	500 000	510 000
thereof: registered paid up capital		500 000	500 000	510 000
9 Own shares		0	0	0
10 Share premium	27	4 701 979	4 701 979	4 701 979
11 Reserve funds and other funds from profit	27	102 000	102 000	102 000
a) statutory reserve funds		102 000	102 000	102 000
b) reserve funds to own shares		0	0	0
c) other reserve funds		0	0	0
d) other funds from profit		0	0	0
thereof: risk fund		0	0	0
12 Revaluation reserve fund		0	0	0
13 Capital funds		1	0	(8 375)
14 Gains (losses) from revaluation of		0	0	0
a) assets and liabilities		0	0	0
b) hedging derivatives		0	0	0
c) participation interests		0	0	0
15 Retained earnings (or accumulated losses) from previous years	27	2 443 303	1 600 303	880 492
16 Profit (loss) for the accounting period		910 930	843 000	719 811
<b>Total liabilities</b>		<b>51 711 291</b>	<b>78 496 113</b>	<b>68 728 765</b>

The notes set out on pages 41 to 77 form part of these financial statements.

**OFF-BALANCE SHEET****OFF-BALANCE SHEET ASSETS**

CZK 000	Note	2002	2001	2000
1	Commitments and guarantees provided	4 666 631	1 121 199	1 735 665
a)	commitments	4 296 951	752 309	1 346 004
b)	guarantees and warranties	345 433	327 864	355 543
c)	guarantees from notes	0	0	17 707
d)	guarantees from letters of credit	24 247	41 026	16 411
2	Collaterals provided	0	0	0
a)	real estates collaterals	0	0	0
b)	cash collaterals	0	0	0
c)	securities collaterals	0	0	0
d)	other	0	0	0
3	Receivables from spot transactions with	82 713	56 911	0
a)	interest rate instruments	0	0	0
b)	currency instruments	82 713	56 911	0
c)	equity instruments	0	0	0
d)	commodity instruments	0	0	0
4	Receivables from fixed term transactions with	7 362 531	5 359 230	2 691 643
a)	interest rate instruments	7 281 038	5 113 124	2 128 746
b)	currency instruments	81 493	246 106	562 897
c)	equity instruments	0	0	0
d)	commodity instruments	0	0	0
e)	credit instruments	0	0	0
5	Receivables from options for	0	0	0
a)	interest rate instruments	0	0	0
b)	currency instruments	0	0	0
c)	equity instruments	0	0	0
d)	commodity instruments	0	0	0
e)	credit instruments	0	0	0
6	Receivables written-off	229 797	227 706	219 887
7	Values placed into custody, administration and deposit thereof: securities	0	0	0
8	Values placed under management thereof: securities	0	0	0
<b>Off-balance sheet assets total</b>		<b>12 341 672</b>	<b>6 765 046</b>	<b>4 647 195</b>

**OFF-BALANCE SHEET****OFF-BALANCE SHEET LIABILITIES**

CZK 000	Note	2002	2001	2000
1	Commitments and guarantees received	274 783	386 004	1 409 042
	a) commitments	0	0	0
	b) guarantees and warranties	234 630	358 353	1 168 135
	c) guarantees from notes	31 265	19 463	234 827
	d) guarantees from letters of credit	8 888	8 188	6 080
2	Collateral received	27 781 821	7 080 363	4 211 025
	a) real estate	8 038 891	4 724 190	3 323 972
	b) cash	155 149	107 596	57 263
	c) securities	164 323	130 440	153 469
	d) other	3 293 286	2 118 137	676 321
	e) collateral - securities	16 130 172	0	0
3	Payables from spot transactions with	82 824	57 361	0
	a) interest rate instruments	0	0	0
	b) currency instruments	82 824	0	0
	c) equity instruments	0	0	0
	d) commodity instruments	0	0	0
4	Payables from fixed term transactions with	7 358 322	5 357 398	2 698 058
	a) interest rate instruments	7 280 704	5 113 124	2 128 746
	b) currency instruments	77 618	244 274	569 312
	c) equity instruments	0	0	0
	d) commodity instruments	0	0	0
	e) credit instruments	0	0	0
5	Payables from options for	0	0	0
	a) interest rate instruments	0	0	0
	b) currency instruments	0	0	0
	c) equity instruments	0	0	0
	d) commodity instruments	0	0	0
	e) credit instruments	0	0	0
6	Values taken into custody, administration and deposit thereof: securities	0	0	0
7	Values taken under management thereof: securities	0	0	0
<b>Off-balance sheet liabilities total</b>		<b>35 497 750</b>	<b>12 881 126</b>	<b>8 318 125</b>

The notes set out on pages 41 to 77 form part of these financial statements.

**Profit and loss account**

for the year ended 31 December 2002

CZK 000	Note	2002	2001	2000
1 Interest income and similar income	5	3 341 268	3 463 205	3 456 763
thereof: interest income from debt securities	5	309 401	213 100	34 639
2 Interest expense and similar expense	5	-576 985	-1 200 980	-1 112 761
thereof: interest expense from debt securities		0	-200	0
<b>Net interest income</b>		<b>2 764 283</b>	<b>2 262 225</b>	<b>2 344 002</b>
3 Income from shares and participation interests:		60	177	25 288
a) income from participation interests with substantial influence		60	0	0
b) income from participation interests with controlling influence		0	0	0
c) income from other shares and participation interests		0	177	25 288
4 Commission and fee income	6	1 672 036	1 145 528	684 479
5 Commission and fee expense	6	-428 704	-185 054	-61 085
6 Net gains (losses) from financial operations	7	-85 734	48 340	199 732
7 Other operating income	8	723 528	177 520	99 607
8 Other operating expenses	8	-139 400	-325 611	-962 986
9 Administrative expenses	9	-2 400 505	-2 398 876	-2 810 867
thereof:		0	0	0
a) employee expenses	9	-859 535	-883 627	-860 690
aa) wages and salaries	9	-638 285	-660 813	-643 111
ab) social and health insurance	9	-221 250	-222 814	-217 579
b) other administrative expenses	9	-1 540 970	-1 515 249	-1 950 177
10 Use of reserves and adjustments to tangible and intangible fixed assets		0	0	0
a) use of reserves for tangible fixed assets		0	0	0
b) use of adjustments to tangible fixed assets		0	0	0
c) use of adjustments to intangible fixed assets		0	0	0
11 Depreciation, creation of reserves and adjustments to tangible and intangible FA		-375 896	-333 912	-288 418
a) depreciation of tangible fixed assets		-202 255	-180 852	-125 630
b) creation of reserves for tangible fixed assets		0	0	0
c) creation of adjustments to tangible fixed assets		0	0	0
d) depreciation of intangible fixed assets		-173 641	-153 060	-162 788
e) creation of adjustments to intangible fixed assets		0	0	0
12 Use of adjustments and reserves for receivables and guarantees, income from the assignment of receivables and income from written-off receivables	26	822 658	654 557	2 636 881
a) use of reserves for receivables and guarantees		524 827	7 496	225 890
b) use of adjustments to receivables and receivables from guarantees		297 130	647 061	2 410 991
c) profit from the assignment of receivables and income from receivables written-off		701	0	0

13 Write-offs, creation of adjustments and reserves for receivables and guarantees	26	-1 511 008	-1 203 050	-2 658 056
a) creation of adjustments to receivables and receivables from guarantees		-1 238 158	-1 203 050	-2 658 056
b) creation of reserves for guarantees		0	0	0
c) write-off of receivables and receivables from guarantees, losses from the assignment of receivables		-272 850	0	0
14 Use of adjustments to participation interests with controlling and substantial influence		0	0	0
15 Creation of adjustments to participation interests with controlling and substantial influence		0	0	0
16 Use of other reserves	26	0	191 120	141 170
17 Creation of other reserves		0	-58 358	-53 456
18 Use of other adjustments		1 056	3 540	0
19 Creation of other adjustments	26	-139 388	-3 893	0
20 <i>Current year profit (loss) on ordinary activities before tax</i>		<i>902 986</i>	<i>-25 747</i>	<i>-703 709</i>
		0	0	0
20 Extraordinary income	10, 3	353	1 187 807	1 491 490
21 Extraordinary expenses	10, 3	-188	-440 736	-63 811
<i>Current year profit (loss) on extraordinary activities before tax</i>		<i>165</i>	<i>747 071</i>	<i>1 427 679</i>
22 Income tax	28	7 779	121 676	-4 159
23 Share of profits (losses) of subsidiaries and associates				
<b>24 Net profit (loss) for the accounting period</b>		<b>910 930</b>	<b>843 000</b>	<b>719 811</b>

*The notes set out on pages 41 to 77 form part of these financial statements.*

**SUMMARY OF CHANGES IN EQUITY**

in 2002

CZK 000	Note	2002	2001	2000
<b>1. Registered capital</b>				
Opening balance	24	500 000	510 000	510 000
increase		0	0	0
decrease	24	0	-10 000	0
conversion of convertible bonds to shares		0	0	0
exercise of options and warrants		0	0	0
<b>Closing balance</b>	<b>24</b>	<b>500 000</b>	<b>500 000</b>	<b>510 000</b>
<b>2. Own shares</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>3. Share premium</b>		<b>0</b>	<b>0</b>	<b>0</b>
Opening balance	27	4 701 979	4 701 979	4 701 979
increase		0	0	0
decrease		0	0	0
<b>Closing balance</b>	<b>27</b>	<b>4 701 979</b>	<b>4 701 979</b>	<b>4 701 979</b>
<b>4. Reserve funds</b>				
Opening balance	27	102 000	102 000	102 000
obligatory additions		0	0	0
other increase		0	0	0
decrease		0	0	0
<b>Closing balance</b>	<b>27</b>	<b>102 000</b>	<b>102 000</b>	<b>102 000</b>
<b>5. Other funds from profit</b>				
Opening balance		0	0	0
increase		0	0	0
decrease		0	0	0
<b>Closing balance</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>6. Capital funds</b>		<b>1</b>	<b>0</b>	<b>0</b>
<b>7. Revaluation gains (losses) not included in profit (loss)</b>				
Opening balance		0	0	0
increase		0	0	0
decrease		0	0	0
<b>Closing balance</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>8. Retained earnings</b>				
Opening balance	27	1 600 303	880 492	0
increase	27	843 000	719 811	880 492
decrease		0	0	0
<b>Closing balance</b>	<b>27</b>	<b>2 443 303</b>	<b>1 600 303</b>	<b>880 492</b>
<b>9. Accumulated losses</b>				
Opening balance		0	0	0
increase		0	0	0
decrease		0	0	0
<b>Closing balance</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>10. Net profit (loss) for the accounting period</b>	<b>27</b>	<b>910 930</b>	<b>843 000</b>	<b>719 811</b>
<b>11. Dividends</b>		<b>0</b>	<b>0</b>	<b>0</b>

The notes set out on pages 41 to 77 form part of these financial statements.

**GE Capital Bank, a.s.**

**Notes to Financial Statements  
Year ended 31 December 2002**

## 1. BASIS OF PREPARATION

The financial statements have been prepared on the basis of accounting maintained in accordance with the Act on Accounting and relevant regulations and decrees of the Czech Republic. They have been prepared under the historical cost convention on the basis of full accrual accounting, except for the selected financial instruments that are stated at fair value.

The financial statements have been prepared in accordance with the Czech Ministry of Finance decree on regulating the layout and definition of financial statements and disclosure requirements of banks and certain financial institutions dated 7 December 2001 (N. 282/73 391/2001).

Numbers in brackets represent negative amounts.

These financial statements are non-consolidated financial statements

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of GE Capital Bank, a.s. ("the Bank") financial statements are set out below:

### (a) Transaction date

A transaction date is, in particular, the date of payment or collection of cash; the date of purchasing or selling of foreign currency or securities; date of payment or collection from a customer's account; date of order to a correspondent to make a payment, settlement date of the bank's payment orders with the ČNB clearing centre, the value date according to a statement received from a bank's correspondent (statement means SWIFT statement, bank's notice, received media, bank statement or other documents); the trade date and settlement date of transactions with securities, foreign currency, options or other derivatives; the date of issue or receipt of a guarantee or opening credit line; the date of acceptance of values into custody.

Accounting transactions involving the purchase or sale of financial assets with a usual term of delivery (spot transactions) as well as fixed term and option contracts shall be recorded in off-balance sheet accounts from the trade date until the settlement date.

A financial asset or its part is derecognised from the balance sheet if the Bank loses control over the contractual rights to this financial asset or its part. The Bank loses this control if it exercises the rights to the benefits defined in the contract, if these rights expire or these rights are waived by the Bank.

### (b) Debt securities, shares, units and other investments

Treasury bills and other eligible bills are carried at cost net of any discount or premium.

Debt securities and shares and other variable income securities are classified into portfolio which is held to maturity, for trading purposes or available for sale, based on the Bank's intention. Only bonds and other fixed income securities can be classified into portfolio held to maturity. In the financial statements they are stated either as long term or short term.

Premiums and discounts on debt securities are amortised/accreted through the profit and loss account over the period from the date of purchase to the date of maturity using the effective interest rate method. In the case of securities classified into portfolio for trading, available for sale and the securities which have a residual maturity shorter than 1 year, the premium and the discount are amortized/accreted equally through the profit and loss account over the period from the date of purchase to the date of maturity.

Debt securities and shares and other variable income securities, which are held for trading purposes or available for sale are classified as short term securities. Adjustments for short term securities are created in an amount equal to the excess of amortised/accreted cost or acquisition cost over the fair value calculated on a specific identification basis.

The fair values used for calculating adjustments for securities are stated as market value available as at the date of the fair value statement, if the Bank proves that securities can be sold for the market price. If it is not possible to state the fair values as the market value (i.e. the Bank does not prove that it is possible to sell securities for the market price), the fair value is estimated as an adjusted value of securities.

An adjusted value of securities equals to the share proportion on equity for shares, share proportion on fund's net assets value for units and present value of security for debt securities.

Adjustments are established to debt securities held to maturity. Adjustments to these securities are created by an amount, which only reflects the change in the risk of the issuer, but not change in the risk-free interest rates, calculated on an individual basis.

Transactions where securities are purchased under a commitment to resell (resale commitment) are treated as collateralised lending transactions. The legal title of securities subject to resale or repurchase commitments is transferred to the lender. Securities received under a resale commitment are recorded in off-balance sheet accounts in "Collateral received". The lending granted under a resale commitment is recorded in "Receivables from banks" or "Receivables from customers". Interest on debt securities received under a resale commitment is not accrued.

Income arising under resale commitments as the difference between the selling and purchase price is accrued over the period of the transaction and charged to the profit and loss account as "Interest income".

**(c) Participation interests with substantial influence**

A participation interest with substantial influence is one in which the Bank holds at least 20 per cent of an organisation's registered capital. In this case, the Bank has substantial influence over the subject's management, which arises from participation in registered capital, or from agreement or articles of association regardless of the percentage of participation.

Participation interests with substantial influence are valued using the equity method. The equity valuation method (a share in equity of an entity in which the Bank has its participation interest) shall mean that the participation interest with substantial influence is valued at acquisition cost at its acquisition date. Goodwill included in the acquisition cost is transferred to intangible fixed assets. For the equity valuation method the information from the financial statements of subsidiaries or associates are used. The value of the participation interest is subsequently decreased by the amount of dividends received or by other contributions received from profit distribution and increased by a share of profit or decreased by a share of loss of a subsidiary or an associate generated after the acquisition date and recorded with a corresponding double-entry in the profit and loss account. The value of participation interests is further decreased or increased by the shares of changes in equity of a subsidiary or an associate which have not been included in the profit and loss accounts of this subsidiary or associate. Gains (losses) arising from the final revaluation of participation interests with substantial influence are charged to the profit and loss account.

**(d) Receivables from banks and customers**

Receivables are carried net of adjustments. Accrued interest income is part of the carrying amount of receivables. Reserves for receivables are included in "Reserves" on the liability side of the balance sheet.

Receivables are reviewed by management for recoverability. Adjustments are created against specific receivables as considered appropriate. The period charge for Adjustments for possible credit losses is recorded monthly based on the net exposure of the receivable as follows:

watched receivables	5 %
substandard receivables	20 %
doubtful receivables	50 %
loss receivables	100 %

Additional adjustments are created for loss receivables, where the loan is fully or partially secured by real estate according to CNB Regulation No. 193/98.

Reserves for possible credit losses are created based on expected future credit losses determined using modelling of past portfolio performance in accordance with the decision of the Bank's management. See note 31 for further details.

Charges to the profit and loss account for adjustments and reserves created are to "Creation of Reserves and Adjustments for Credits and Guarantees" to provide analytical evidence required for calculation of tax liabilities.

The tax deductible portion of the period charge for the creation of reserves and adjustments for credit losses is calculated in accordance with the requirements of section 5 ("Banking reserves and adjustments") and section 8 ("Adjustments to receivables from debtors subject to bankruptcy or composition proceedings") of the Act on Reserves (Act No. 593/1992). Receivables are written-off when the Bank has determined the receivable to be permanently irrecoverable.

The write-off of unrecoverable receivables is accounted for as " Write-off of receivables and receivables from guarantees, losses from the assignment of receivables " in the profit and loss account. Adjustments and/or reserves are reduced in an equal amount to the amount written-off with a corresponding credit to "Use of reserves and adjustments to credits and guarantees" in the profit and loss account. Recoveries on loans and advances previously written-off are included in the profit and loss account in "Gains from the assignment of receivables and income from written-off receivables".

**(e) Creation of reserves**

In accordance with the Act on Reserves N. 593/1992 Coll. reserves for standard credits were transferred to adjustments to classified receivables, used to cover the expenses associated with the write-off of receivables, used to cover losses from the assignment of receivables or released for redundancy by 31 December 2005 at the latest.

General reserves for guarantees were transferred to specific reserves for guarantees or adjustments to classified receivables from the fulfilment of guarantees, used to cover the expenses associated with the write-off of these receivables or losses from the assignment of receivables or released for redundancy by 31 December 2005 at the latest.

**(f) Intangible and tangible fixed assets**

Tangible and intangible fixed assets are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives.

The annual depreciable lives for each category of intangible and tangible fixed asset are as follows:

Software	5	years
Cars	4	years
Building	40	years
Furniture	10	years
Equipment	5	years
Establishment costs - other intangible fixes assets	5	years
PCs and servers	3	years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease terms or their remaining useful lives.

Intangible fixed assets costing less than CZK 60 000 and tangible fixed assets costing less than CZK 40 000 having useful life less than 1 year are charged to the profit and loss account in the period in which they are acquired.

**(g) Foreign currency translation**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates on the date of the transaction. Assets and liabilities denominated in foreign currencies together with unsettled spot foreign exchange transactions are translated into the local currency at the ČNB foreign exchange rate prevailing on the balance sheet date. Exchange differences arising from the translation of assets and liabilities denominated in foreign currencies are recognized in the profit and loss account as "Net profit (loss) from financial operations".

**(h) Financial derivatives**

**Trading instruments**

Financial derivatives classified in the trading portfolio are recorded at their fair value. Gains (losses) from changes in fair value are recorded in the profit and loss account as "Net profit (loss) from financial operations".

The Bank uses all its trading financial derivatives for macro-hedging purposes.

**(i) Taxation**

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period to arrive at the taxable income that is further adjusted by tax allowances and relevant credits to which the current tax rate is applied.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the income tax rate prescribed by the Income Tax Act for the next period. A deferred tax asset is recognized only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilized.

**(j) Prior period items and changes in accounting policies**

Prior period items and the effects of changes in the accounting policies are reported as income or expense in the current period profit and loss account, with the exception of corrections of significant errors in the recording of income and expenses of prior periods that are reported in "Retained earnings or accumulated losses from previous years" in the Bank's balance sheet.

**3. CHANGES IN ACCOUNTING POLICIES**

During 2002 the Bank changed certain of its accounting policies corresponding to changes in Czech accounting standards as follows

"Reverse Repo" transactions are booked in the off balance sheet contrary to the prior year where these transactions were shown in the balance sheet.

The Bank released the general tax deductible reserve and instead of the reserve created tax non-deductible adjustments to loans.

In accordance with the modification of the definition of extraordinary expenses and income, most of the items classified as extraordinary expenses and income in prior years are included as part of operating expenses and income in the current year.

The Bank changed the accounting methodology related to accrued interest on receivables and loans. Whereas in prior years accrued interest was shown separately as "accrued income" or "accrued expenses" in the balance sheet, beginning in 2002 accrued interest is included as part of receivables and liabilities. At 31 December 2002 accrued interest on loans amounted to CZK 171,306 million (2001: 222 669; 2000: 209 412), accrued interest on securities amounted to CZK 2,369 million and accrued interest on deposits amounted to CZK 12 538 thousand (2001: 34 667; 2000: 36 222).

**4. ASSETS AND LIABILITIES ACQUIRED FROM AGROBANKA, A.S.**

The Bank was established by the contribution of capital by GE Capital International Holding in the amount of CZK 2 000 million. From this initial capital, the Bank purchased selected assets and liabilities from Agrobanka, a.s., a bank which had been previously put under enforced administration by the Czech National Bank. On 22 June 1998, the date of purchase, the assets and liabilities acquired were recorded in the Bank's balance sheet at values determined based upon the Purchase Agreement. The difference between the amount paid by the Bank and the net value of the assets and liabilities acquired (based on the Purchase Agreement) was recorded as goodwill by the Bank and was fully amortized in the year of acquisition.

The recording of the net assets at values based on the Purchase Agreement resulted in receivables from customers being recorded in the opening balance sheet at discounted values from the gross receivables actually due under the contracts with customers. To the extent that a customer repays any portion of the receivable in excess of the discounted value originally assigned to the receivable, this difference is recorded as operating income.

## 5. NET INTEREST INCOME

CZK 000	2002	2001	2000
Interest income	3 341 268	3 463 205	3 456 763
from deposits	275 491	526 218	750 470
from loans	2 756 376	2 723 887	2 671 654
other	309 401	213 100	34 639
Interest expense	(576 985)	(1 200 980)	(1 112 761)
from deposits	(572 924)	(1 195 645)	(1 092 506)
from loans	(4 061)	(5 135)	(5 018)
other	0	(200)	(15 237)
<b>Net interest income</b>	<b>2 764 283</b>	<b>2 262 225</b>	<b>2 344 002</b>

## 6. FEES AND COMMISSIONS

CZK 000	2002	2001	2000
<b>Fee and commission income from</b>			
securities transactions	0	0	0
derivative transactions	0	0	0
management, administration, deposit and custody	0	0	0
other	1 672 036	1 145 528	684 479
<b>Total</b>	<b>1 672 036</b>	<b>1 145 528</b>	<b>684 479</b>
<b>Fee and commission expense from</b>			
securities transactions	0	0	(245)
derivative transactions	0	0	0
management, administration, deposit and custody	0	0	0
other	(428 704)	(185 054)	(60 840)
<b>Total</b>	<b>(428 704)</b>	<b>(185 054)</b>	<b>(61 085)</b>

## 7. NET GAINS OR LOSSES FROM FINANCIAL OPERATIONS

CZK 000	2002	2001	2000
Gains/losses from securities transactions	7 501	177	397
Gains/losses from derivative transactions	(257 049)	363	0
Gains/losses from foreign exchange transactions	15 994	8 494	2 478
Foreign exchange gains / losses	147 820	131 560	153 228
Other	0	(92 254)	43 629
<b>Total</b>	<b>(85 734)</b>	<b>48 340</b>	<b>199 732</b>

## 8. OTHER INCOME AND EXPENSE

CZK 000	2002	2001	2000
Other income	723 528	177 520	99 607
Service revenues	97 859	70 874	37 166
Commissions from third parties	27 441	14 595	5 665
Rent	40 445	45 591	39 548
Sale of fixed assets	5 730	15 377	12 464
Compensation*	68 270	0	0
Write back of previously written off receivables	3	151	0
Release of discounts to loans*	463 727	0	0
Other	20 053	30 932	4 764
Other expenses	139 400	325 611	962 986
Deposit insurance	41 023	119 507	186 542
Receivables write-offs*	439	79 060	745 459
Royalties	57 726	78 772	0
Withholding tax	7 298	9 006	8 852
Other	32 914	39 266	22 133

\*change in accounting standards for banks (see note 3)

## 9. GENERAL OPERATING EXPENSES

CZK 000	2002	2001	2000
Employee expenses	859 535	883 627	860 690
Wages and salaries	638 285	660 813	643 111
Social and health insurance	221 250	222 814	217 579
Of which fees for service on the boards:			
Members of the Board of Directors	4 890	5 600	4 750
Members of the Supervisory Board	396	461	476
Other administrative expenses	1 540 970	1 515 249	1 950 177
of which expenses for audit, legal and tax advisory	18 028	15 614	13 419
<b>Total</b>	<b>2 400 505</b>	<b>2 398 876</b>	<b>2 810 867</b>

The average number of Bank personnel during the period was as follows:

	2002	2001	2000
Employees	1 949	2 002	2 176
Members of the Board of Directors	5	4	4
Members of the Supervisory Board	3	3	3
Other Executives	14	14	9

## 10. EXTRAORDINARY INCOME AND EXPENSE

CZK 000	2002	2001	2000
Extraordinary income	353	1 187 807	1 491 490
Release of discounts to loans*	0	771 752	1 130 684
Accepted indemnity damages*	0	411	26
Net deferred tax asset	0	0	336 013
Penalty interest*	0	403 975	0
Other*	353	11 669	24 767
Extraordinary expenses	188	440 736	63 811
Reversal of previously recognized interest income*	0	396	15 904
Shortages and damages*	0	35 378	31 783
Adjustments for penalty interest*	0	403 975	0
Other	188	987	16 124

\*change in accounting standards for banks (see note 3)

## 11. RECEIVABLES FROM BANKS

### (a) Classification of receivables from banks

CZK 000	2002	2001	2000
Standard	22 602 795	34 615 307	31 094 072
Special mentioned	0	0	0
Sub-standard	0	0	0
Doubtful	0	0	0
Loss	0	0	0
Adjustments to potential losses from receivables	0	0	0
<b>Net receivables from banks</b>	<b>22 602 795</b>	<b>34 615 307</b>	<b>31 094 072</b>

### (b) Analysis of receivables to banks to residual maturity date

CZK 000	2002	2001	2000
Repayable on demand	29 216	32 725	25 293
Up to 3 months	21 473 579	33 589 011	27 418 779
From 3 months to 1 year	1 100 000	993 572	3 650 000
From 1 to 5 years	0	0	0
<b>Total</b>	<b>22 602 795</b>	<b>34 615 307</b>	<b>31 094 072</b>

## 12. RECEIVABLES FROM CUSTOMERS

### (a) Classification of receivables from customers

CZK 000	2002	2001	2000
Standard	18 716 966	11 010 870	5 085 007
Special mentioned	1 125 771	541 736	495 311
Sub-standard	314 285	209 092	243 032
Doubtful	83 306	44 016	128 524
Loss	2 351 633	1 924 002	1 320 777
Adjustment to potential losses from receivables	(2 904 208)	(1 963 893)	(1 325 613)
<b>Net receivables from customers</b>	<b>19 687 753</b>	<b>11 765 823</b>	<b>5 947 038</b>

### (b) Analysis of receivables from customers by sector

CZK 000	2002	2001	2000
Financial institutions	47 787	2 411	3 249
Non-financial institutions	6 271 966	4 879 561	3 323 804
Insurance institutions	207	0	335
Government sector	2 075 889	65 910	47 441
Non-profit organisations	6 715	4 032	1 439
Self-employed	1 984 792	973 396	538 137
Resident individuals	12 181 492	7 778 987	3 357 453
Non-residents	23 113	25 420	793
Companies without ICO	0	0	0
Unallocated	0	0	0
<b>Total</b>	<b>22 591 961</b>	<b>13 729 716</b>	<b>7 272 651</b>

### (c) Analysis of receivables from customers by sector and type of security received

As at 31 December 2002

CZK 000	Personal guarantee	Bank guarantee	Mortgage	Performance guarantee	Bill of exchange	Held by Bank	Unsecured	Total
Financial institutions	0	0	0	0	0	0	47 787	47 787
Non financial institutions	720	22 643	3 838 458	51 784	449	61 635	2 296 277	6 271 966
Insurance institutions	0	0	0	0	0	0	207	207
Government sector	0	0	52 840	0	0	0	2 023 049	2 075 889
Non profit organizations	0	0	2 756	0	0	0	3 959	6 715
Self employed	200	5 229	1 402 775	6 741	681	20 289	548 877	1 984 792
Resident individuals	3 155	0	2 119 363	0	9	0	10 058 965	12 181 492
Non resident individuals	0	0	1 454	0	0	0	21 659	23 113
<b>Total</b>	<b>4 075</b>	<b>27 872</b>	<b>7 417 646</b>	<b>58 525</b>	<b>1 139</b>	<b>81 924</b>	<b>15 000 780</b>	<b>22 591 961</b>

As at 31 December 2001

CZK 000	Personal guarantee	Bank guarantee	Mortgage Performance guarantee	Bill of exchange	Held by Bank	Unsecured	Total
Financial institutions	0	0	0	0	0	2 411	2 411
Non financial institutions	737	17 164	2 371 771	101 067	3 191	13 070	2 372 560
Insurance institutions	0	0	0	0	0	0	0
Government sector	0	0	16 888	4 140	0	0	44 883
Non profit organizations	0	0	2 792	0	0	0	1 240
Self employed	200	3 600	570 224	16 681	1 111	11 676	369 905
Resident individuals	5 072	0	1 003 610	68	7	0	6 770 228
Non resident individuals	0	0	0	0	0	0	25 420
<b>Total</b>	<b>6 009</b>	<b>20 764</b>	<b>3 965 285</b>	<b>121 956</b>	<b>4 309</b>	<b>24 746</b>	<b>9 586 647</b>

As at 31 December 2000

CZK 000	Personal guarantee	Bank guarantee	Mortgage Performance guarantee	Bill of exchange	Held by Bank	Unsecured	Total
Financial institutions	0	0	0	141	0	3 107	3 248
Non financial institutions	28	15 840	1 062 046	245 911	44 282	10 621	1 945 077
Insurance institutions	0	0	0	0	0	335	335
Government sector	0	0	7 500	1 900	0	0	38 040
Non profit organizations	0	0	1 345	6	0	0	88
Self employed	1 617	3 395	207 695	57 546	4 292	0	263 592
Resident individuals	6 506	0	5 107	150	119	0	3 345 572
Non resident individuals	0	0	0	0	0	0	793
<b>Total</b>	<b>8 151</b>	<b>19 235</b>	<b>1 283 693</b>	<b>305 654</b>	<b>48 693</b>	<b>10 621</b>	<b>5 596 604</b>

(d) Net receivables from customers written-off and recovered:

CZK 000	2002	2001	2000
<b>Write-offs</b>			
Non financial institutions	231 526	65 084	743 368
Resident individuals	41 324	13 976	2 091
<b>Total</b>	<b>272 850</b>	<b>79 060</b>	<b>745 459</b>
<b>Recoveries</b>			
Non financial institutions	701	151	5 435
<b>Total</b>	<b>701</b>	<b>151</b>	<b>5 435</b>

(e) **Receivables from persons with a special relationship to the Bank**

CZK 000	Board of directors	Executives	Supervisory board
At 31 December 2000	2 495	1 308	0
Interest income	0	0	0
At 1 January 2001	1 308	144	0
Additions	5 000	6 000	0
Disposals	1 383	105	0
At 31 December 2001	4 925	6 039	0
Interest income	349	289	0
At 1 January 2002	4 925	6 039	0
Additions	0	4 000	0
Disposals	299	259	0
At 31 December 2002	4 626	9 780	0
<b>Interest income</b>	<b>318</b>	<b>416</b>	<b>0</b>

The closing balances and opening balances of the receivables from persons with a special relationship to the Bank are not equal because of the replacement of members of the Board of directors and Executives in the reported years. The end balance and opening balance of the receivables matches with the structure of the Board of directors and Executives as at the end of the accounting period.

**13. STATE ZERO COUPON BONDS AND OTHER SECURITIES ELIGIBLE FOR REFINANCING WITH THE ČNB**

(a) **Net book value of state zero coupon bonds and other securities eligible for refinancing with the ČNB**

CZK 000	2002	2001	2000
State treasury bills	2 781 740	0	0
Other bills	0	26 327 000	21 529 000
<b>Net book value</b>	<b>2 781 740</b>	<b>26 327 000</b>	<b>21 529 000</b>

As at 31 December 2002 the Bank had possession of state discount bonds under reverse repo transactions with market value of CZK 16 130 172 thousand (change in accounting standards - see note 3).

(b) **Classification of state zero coupon bonds and other securities eligible for refinancing with the ČNB into individual portfolios based on the Bank's intention**

CZK 000	2002	2001	2000
State zero coupon bonds and other trading securities	0	26 327 000	21 529 000
State zero coupon bonds and other available-for-sale securities	2 781 740	0	n/a
State zero coupon bonds and other held-to-maturity securities	0	0	0
<b>Net book value</b>	<b>2 781 740</b>	<b>26 327 000</b>	<b>21 529 000</b>

#### 14. DEBT SECURITIES

##### (a) Net book value of debt securities

CZK 000	2002	2001	2000
Book value of debt securities	1 878 733	1 637 593	5 648 504
Less			
Withholding tax applying to debt securities included in "Other liabilities"	0	0	0
<b>Net book value of debt securities</b>	<b>1 878 733</b>	<b>1 637 593</b>	<b>5 648 504</b>

##### (b) Classification of debt securities into individual portfolios based on the Bank's intention

CZK 000	2002	2001	2000
Debt securities held for trading	0	0	0
Available-for-sale debt securities	1 379 879	1 637 593	n/a
Held-to-maturity debt securities	498 854	0	5 648 504
<b>Total</b>	<b>1 878 733</b>	<b>1 637 593</b>	<b>5 648 504</b>

##### (c) Analysis of available-for-sale debt securities

CZK 000	2002	2001	
	Market Value	Book Value	Market Value
<b>Issued by financial institutions</b>			
- Listed on a recognized Czech Republic exchange	304 523	710 934	712 158
- Listed elsewhere	166 171	303 714	304 074
- Unlisted	0	0	0
	<b>470 694</b>	<b>1 014 648</b>	<b>1 016 232</b>
<b>Issued by non-financial institutions</b>			
- Listed on a recognized Czech Republic exchange	108 341	108 457	111 253
- Listed elsewhere	0	113 714	114 142
- Unlisted	0	4 833	4 833
	<b>108 341</b>	<b>227 004</b>	<b>230 228</b>
<b>Issued by government institutions</b>			
- Listed on a recognized Czech Republic exchange	800 844	0	0
- Listed elsewhere	0	395 941	396 648
- Unlisted	0	0	0
	<b>800 844</b>	<b>395 941</b>	<b>396 648</b>
<b>Total</b>	<b>1 379 879</b>	<b>1 637 593</b>	<b>1 643 108</b>

(d) Analysis of debt securities held to maturity

CZK 000	2002		2001		2000	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
<b>Issued by financial institutions</b>						
- Listed on a recognized Czech Republic exchange	0	0	0	0	0	0
- Listed elsewhere	0	0	0	0	1 164 908	1 183 043
- Unlisted	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 164 908</b>	<b>1 183 043</b>
<b>Issued by non-financial institutions</b>						
- Listed on a recognized Czech Republic exchange	0	0	0	0	0	0
- Listed elsewhere	0	0	0	0	0	0
- Unlisted	498 854	498 854	0	0	1 303 404	1 303 404
	<b>498 854</b>	<b>498 854</b>	<b>0</b>	<b>0</b>	<b>1 303 404</b>	<b>1 303 404</b>
<b>Issued by government institutions</b>						
- Listed on a recognized Czech Republic exchange	0	0	0	0	0	0
- Listed elsewhere	0	0	0	0	3 180 192	3 179 829
- Unlisted	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 180 192</b>	<b>3 179 829</b>
<b>Total</b>	<b>498 854</b>	<b>498 854</b>	<b>0</b>	<b>0</b>	<b>5 648 504</b>	<b>5 666 276</b>

Year 2000 balances represent bonds and other fixed income securities, which were classified into "banking portfolio" based on a CNB decree valid in year 2000. The proportion of debt securities with residual maturity up to 1 year to the total balance of debt securities is 93,53% (2001: 74,6%, 2000: 37,4%).

15. SHARES, UNITS AND OTHER INVESTMENTS

(a) Classification of shares, units and other investments into individual portfolios based on the Bank's intention

CZK 000	2002	2001	2000
Shares, units and other investments held for trading	0	0	0
Shares, units and other investments available for sale	26 394	26 394	n/a
Financial investments in shares	0	0	26 394
<b>Total</b>	<b>26 394</b>	<b>26 394</b>	<b>26 394</b>

(b) Analysis of shares, units and other investments available for sale

CZK 000	2002		2001		2000	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
<b>Issued by financial institutions</b>						
- Listed on a recognized Czech Republic exchange	0	0	0	0	0	0
- Listed elsewhere	0	0	0	0	0	0
- Unlisted	17 388	21 040	17 388	20 109	17 388	19 754
	<b>17 388</b>	<b>21 040</b>	<b>17 388</b>	<b>20 109</b>	<b>17 388</b>	<b>19 754</b>
<b>Issued by non-financial institutions</b>						
- Listed on a recognized Czech Republic exchange	0	0	0	0	0	0
- Listed elsewhere	9 006	99 000	9 006	34 472	9 006	15 433
- Unlisted	0	0	0	0	0	0
	<b>9 006</b>	<b>99 000</b>	<b>9 006</b>	<b>34 472</b>	<b>9 006</b>	<b>15 433</b>
<b>Total</b>	<b>26 394</b>	<b>120 040</b>	<b>26 394</b>	<b>54 581</b>	<b>26 394</b>	<b>35 187</b>

16. PARTICIPATION INTERESTS WITH SUBSTANTIAL INFLUENCE

CZK 000	Registered office	Business activity	Share in equity	Share of voting rights	Book value
<b>At 31 December 2002</b>					
Czech Banking Credit Bureau	Praha 3, Víta Nejedlého 509/15	service databank, SW, HW and network	20	20	240
<b>Total</b>					<b>240</b>
<b>At 31 December 2001</b>					
Czech Banking Credit Bureau	Praha 3, Víta Nejedlého 509/15	service databank, SW, HW and network	25	25	300
<b>Total</b>					<b>300</b>
<b>At 31 December 2000</b>					
<b>Total</b>					<b>0</b>

## 17. INTANGIBLE FIXED ASSETS

### (a) Movements in intangible fixed assets

CZK 000	Software	Establishment Costs	Assets not yet in use	Minor intangible fixed assets	Total
<b>Cost</b>					
As at 1 January 2001	679 376	2 045	8 578	0	689 999
Additions	75 119	0	84 782	0	159 901
Disposals	22 830	0	75 120	0	97 950
As at 31 December 2001	731 665	2 045	18 240	0	751 950
As at 1 January 2002	731 665	2 045	18 240	0	751 950
Additions	73 183	0	78 471	277	151 931
Disposals	5 892	0	73 183	57	79 132
<b>As at 31 December 2002</b>	<b>798 956</b>	<b>2 045</b>	<b>23 528</b>	<b>220</b>	<b>824 749</b>
<b>Amortization and Adjustments</b>					
As at 1 January 2001	179 640	716	0	0	180 356
Charge for the period	169 893	409	0	0	170 302
Disposals	22 331	0	0	0	22 331
As at 31 December 2001	327 202	1 125	0	0	328 327
As at 1 January 2002	327 202	1 125	0	0	328 327
Charge for the period	176 051	409	0	0	176 460
Disposals	5 892	0	0	0	5 892
<b>As at 31 December 2002</b>	<b>497 361</b>	<b>1 534</b>	<b>0</b>	<b>0</b>	<b>498 895</b>
<b>Net book value</b>					
As at 31 December 2000	499 736	1 329	8 578	0	509 643
As at 31 December 2001	404 463	920	18 240	0	423 623
<b>As at 31 December 2002</b>	<b>301 595</b>	<b>511</b>	<b>23 528</b>	<b>220</b>	<b>325 854</b>

### (b) Establishment costs

The Bank's first year period of operations was 1998 and it capitalized the following establishment costs incurred during the period between its foundation and incorporation: travel of CZK 0,181 million and other costs of CZK 1,864 million.

## 18. TANGIBLE FIXED ASSETS

### (a) Movements in tangible fixed assets

CZK 000	Land and Buildings	Furniture and Fittings	Equipment	Minor tangible fixed assets	Fixed Assets not yet in use	Total
<b>Cost</b>						
As at 1 January 2001	147 602	120 966	739 510	0	13 731	1 021 809
Additions	18 418	24 505	209 238	0	298 959	551 120
Disposals	27 831	20 284	137 997	0	244 888	431 000
As at 31 December 2001	138 189	125 187	810 751	0	67 802	1 141 929
As at 1 January 2002	138 189	125 187	810 751	0	67 802	1 141 929
Additions	30 560	20 903	217 865	18 525	265 609	553 462
Disposals	8 215	35 201	152 673	11 555	268 863	476 507
<b>As at 31 December 2002</b>	<b>160 534</b>	<b>110 889</b>	<b>875 943</b>	<b>6 970</b>	<b>64 548</b>	<b>1 218 884</b>
<b>Amortization and Adjustments</b>						
As at 1 January 2001	23 599	17 570	211 260	0	0	252 429
Charge for the period	40 282	24 556	173 185	0	0	238 023
Disposals	27 831	19 151	30 162	0	0	77 144
Adjustments	0	0	0	0	0	0
As at 31 December 2001	36 050	22 975	354 283	0	0	413 308
As at 1 January 2002	36 050	22 975	354 283	0	0	413 308
Charge for the period	21 739	25 414	179 117	0	0	226 270
Disposals	8 215	9 969	55 393	0	0	73 577
Adjustments	0	0	0	0	0	0
<b>As at 31 December 2002</b>	<b>49 574</b>	<b>38 420</b>	<b>478 007</b>	<b>0</b>	<b>0</b>	<b>566 001</b>
<b>Net book value</b>						
As at 31 December 2000	124 003	103 396	528 250	0	13 731	769 380
As at 31 December 2001	102 139	102 212	456 468	0	67 802	728 621
<b>As at 31 December 2002</b>	<b>110 960</b>	<b>72 469</b>	<b>397 936</b>	<b>6 970</b>	<b>64 548</b>	<b>652 883</b>

In the year 2001 "Furniture and Fittings" CZK 25,208 million (2000: CZK 19,446 million) and "Equipment" CZK 97,279 million (2000: CZK 204,879 million) which represent security for receivables from customers are included in tangible fixed assets. Ownership of these assets has been transferred to the Bank and, accordingly, they have been recorded as non-depreciating assets in the off-balance sheet accounts of the Bank in year 2002.

### (b) Assets held under finance leases

The Bank is committed to payments under finance leases for fixed assets (not included in the tangible fixed assets of the Bank) as follows:

CZK 000	Paid during 2002	Due within 1 year	Due within 1 to 5 years	Due in following years	Total lease payments remaining
Office equipment	2 034	485	267	0	752
Cars	0	0	0	0	0
Other fixed assets	637	643	1	0	644
<b>Total</b>	<b>2 671</b>	<b>1 128</b>	<b>268</b>	<b>0</b>	<b>1 396</b>

## 19. OTHER ASSETS

CZK 000	2002	2001	2000
Other debtors	306 191	103 159	203 469
Inventory	0	25 461	35 766
Receivables from clients	0	0	318 984
Other cash values*	302 626	15 368	16 876
Clearing accounts	198 557	0	0
Other	5 189	0	0
Accruals	0	111	24 522
Net Deferred tax assets	575 803	453 530	331 854
Less: Adjustments	(139 692)	(1 359)	(1 265)
<b>Total</b>	<b>1 248 674</b>	<b>596 270</b>	<b>930 206</b>

\* change of reporting - in year 2001 presented as a part of cash in hand

## 20. DUE TO BANKS

### Analysis of due to banks by residual maturity

CZK 000	2002	2001	2000
Repayable on demand	0	2 306	2 772
Up to 3 months	0	26 447 000	21 629 000
From 3 months to 1 year	0	0	0
From 1 to 5 years	0	0	0
Over 5 years	0	0	0
<b>Total</b>	<b>0</b>	<b>26 449 306</b>	<b>21 631 772</b>

Change in accounting standards (see note 3)

## 21. DUE TO CUSTOMERS

### (a) Analysis of due to customers by sector

CZK 000	2002	2001	2000
<b>Non due to customers and on demand</b>			
Financial institutions	282 313	75 749	168 238
Non-financial institutions	6 434 368	6 681 909	5 695 299
Insurance institutions	45 988	14 589	81 504
Government sector	1 485 579	1 299 291	1 929 588
Non-profit organisations	653 248	586 085	304 952
Self-employed	3 561 985	3 505 910	2 902 972
Resident individuals	11 751 202	10 505 047	9 670 141
Non-residents	255 475	228 929	357 727
Companies without IČO	0	0	0
Unallocated	0	0	0
<b>T o t a l</b>	<b>24 470 158</b>	<b>22 897 509</b>	<b>21 110 421</b>
<b>Due to customers with fixed maturity</b>			
Financial institutions	52 671	59 544	157 149
Non-financial institutions	2 296 671	2 511 812	2 566 112
Insurance institutions	107 471	105 006	223 082
Government sector	324 528	264 424	359 688
Non-profit organisations	291 336	325 843	163 913
Self-employed	346 600	303 494	224 457
Resident individuals	8 818 564	10 311 806	7 365 255
Non-residents	66 959	68 837	85 007
Companies without IČO	0	0	0
Unallocated	0	0	0
<b>T o t a l</b>	<b>12 304 800</b>	<b>13 950 766</b>	<b>11 144 663</b>
<b>Due to customers with a notice period</b>			
Financial institutions	0	0	6
Non-financial institutions	0	16	106
Insurance institutions	0	0	0
Government sector	0	0	0
Non-profit organisations	0	90	145
Self-employed	2 579	2 005	1 988
Resident individuals	4 607 005	5 420 267	5 858 809
Non-residents	26 231	31 755	33 153
Companies without IČO	0	0	0
Unallocated	0	0	0
<b>T o t a l</b>	<b>4 635 815</b>	<b>5 454 133</b>	<b>5 894 208</b>
	<b>41 410 773</b>	<b>42 302 408</b>	<b>38 149 292</b>

(b) Due to persons with a special relationship to the Bank

CZK 000	Board of directors	Executives	Supervisory board
At 1 January 2000	1 981	1 184	0
Additions	0	1 687	0
Disposals	1 083	0	0
<b>At 31 December 2000</b>	<b>898</b>	<b>2 871</b>	<b>0</b>
At 1 January 2001	548	1 712	937
Additions	50	1 866	17
Disposals	0	0	0
<b>At 31 December 2001</b>	<b>598</b>	<b>3 578</b>	<b>954</b>
At 1 January 2002	2 322	2 545	954
Additions	0	2 543	1 997
Disposals	406	0	0
<b>At 31 December 2002</b>	<b>1 916</b>	<b>5 088</b>	<b>2 951</b>

The closing and opening balances of the liabilities to persons with a special relationship to the Bank are not equal because of the replacement of members of the Board of directors and Executives in the reported years. The closing and opening balance of the liabilities matches with the structure of the Board of directors and Executives as at the end of the accounting period.

## 22. PAYABLES FROM DEBT SECURITIES

### Analysis of certificates of deposit

CZK 000	2002	2001	2000
Resident individuals	1 809	1 735	1 976

## 23. OTHER LIABILITIES

CZK 000	2002	2001	2000
Other creditors	756 963	788 665	1 193 252
Other payables	745 290	439 287	189 370
Of which:			
Accruals	233 689	235 178	143 895
Other payables to clients	51 580	37 136	19 911
Fair value of fixed term contracts	317 648	156 518	0
Clearing technical account	130 930	0	0
Other	11 443	10 455	25 564
<b>Total</b>	<b>1 502 253</b>	<b>1 227 952</b>	<b>1 382 622</b>

Other creditors includes CZK 327 million payable to GE Capital International Holding as at 31 December 2002 (2001: CZK 327 million, 2000: CZK 327 million). The Bank intends to use this amount to increase registered capital pending the prior registration of the shares for the Czech National Bank – refer to Note 24.

## 24. REGISTERED CAPITAL

In order to establish the Bank, GE Capital International Holding subscribed 500 shares of original capital in nominal value CZK 1 000 000 per one share and paid up for them CZK 2 000 million.

During 1998 the Bank issued 10 ordinary shares with nominal value CZK 1 000 000 each. Each share was issued at a premium of CZK 1 970 750 thousand and was fully paid up. The increase in registered capital has not yet been recorded in the Commercial Register as at 31 December 2002.

The Municipal Court in Prague decided on a petition of GE Capital Bank, a.s regarding a registration of increase in its registered capital in the Commercial Register. As of 25 March 2003 the registered capital of GE Capital Bank, a.s. is CZK 510 million.

Based on amendment to the Chart of Accounts and Accounting Procedures for Banks effective from 1 January 2001, the amount of CZK 10 million representing paid-in but not registered capital has been recorded as part of other liabilities in 2001. The corresponding share premium at the outstanding amount of CZK 4,7 billion is reported as a part of the share premium account based on the CNB's approval for the inclusion of this amount into the Bank's own capital.

During 2002 the Bank did not issue any ordinary shares.

The shareholders of the Bank as at 31 December 2002 are:

Name	Seat	Number	Ownership %
GE Capital Int'l Holding	United States	500	98
Czech National Bank (not registered in Companies Register)	Czech Republic	10	2
Total		510	100

No person with a special relationship to the Bank held any shares as at 31 December 2002 or 2001.

## 25. EARNINGS PER SHARE

CZK 000	2002	2001	2000
Current period profit (loss) after tax	910 930	843 000	719 811
Dividends for preferential shareholders	0	0	0
Net profit for ordinary shareholders	910 930	843 000	719 811
Weighted average number of shares issued	500	500	500
<b>Earnings per share (CZK)</b>	<b>1 821 860</b>	<b>1 686 000</b>	<b>1 439 622</b>

## 26. RESERVES AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES

### (a) Reserves for possible credit and guarantee losses

CZK 000	2001
<b>Tax deductible reserves for credit losses</b>	
Balance as at 1 January 2001	167 163
Creation during current year	0
Standard loans and advances	0
Guarantees	0
Use during current year	0
Standard loans	0
Guarantees	0
Write-off of debit balances on current accounts	0
<b>Balance of tax deductible reserves as at 31 December 2001</b>	<b>167 163</b>
<b>Non tax deductible reserves for credit losses</b>	
Balance as at 1 January 2001	5 146
Creation during current year	321 530
Standard loans and advances	307 015
Guarantees	0
Debit balances on current accounts	14 515
Use during current years	(7 496)
Standard loans	0
Guarantees	0
Write-off of debit balances on current accounts	(7 496)
<b>Balance of non tax deductible reserves as at 31 December 2001</b>	<b>319 180</b>
<b>Total</b>	<b>486 343</b>
<b>CZK 000</b>	
<b>2002</b>	
<b>Tax deductible reserves for credit and guarantee losses</b>	
Balance as at 1 January 2002	167 163
Creation during current year	0
Guarantees	0
Use during current year	0
Standard loans	0
Guarantees	0
Write-off of debit balances on current accounts	0
Release of reserves *	(162 793)
<b>Balance of tax deductible reserves as at 31 December 2002</b>	<b>4 370</b>
<b>Non tax deductible reserves for credit and guarantee losses</b>	
Balance as at 1 January 2002	319 180
Creation during current year	0
Guarantees	0
Debit balances on current accounts	0
Use during current years	0
Standard loans	0
Guarantees	0
Write-off of debit balances on current accounts	0
Release of reserves *	(318 313)
<b>Balance of non tax deductible reserves as at 31 December 2002</b>	<b>867</b>
<b>Total</b>	<b>5 237</b>

\* due to changes in accounting (see note 3)

(b) Other reserves for possible credit and guarantee losses (non tax deductible)

<b>CZK 000</b>	<b>2001</b>
Balance as at 1 January 2001	176 577
Creation during current year	58 263
Use during current year	(191 120)
<b>Balance as at 31 December 2001</b>	<b>43 720</b>
	<b>2002</b>
<b>Balance as at 1 January 2002</b>	<b>43 720</b>
Creation during current year	0
Use during current year	0
Release of reserves *	(43 720)
<b>Balance as at 31 December 2002</b>	<b>0</b>
<b>Total reserves for possible credit and guarantee losses as at 31 December 2002</b>	<b>5 237</b>

\* due to changes in accounting (see note 3)

(c) Adjustments to classified receivables

<b>CZK 000</b>	<b>2001</b>
<b>Tax deductible adjustments for credit losses</b>	
Balance as at 1 January 2001	337 675
Creation during current year	0
Use during current year	(37 898)
Write-off of loans and advances	(30 958)
Cover of losses from loans sold	(6 940)
<b>Balance of tax deductible adjustments as at 31 December 2001</b>	<b>299 777</b>
<b>Non tax deductible adjustments for credit losses</b>	
Balance as at 1 January 2001	987 938
FX rate differences	(154)
Creation during current year	1 285 495
Use during current year	(96 982)
Write-off of loans and advances	(608)
Cover of losses from loans sold	(96 374)
Release of adjustments	(512 181)
<b>Balance of non tax deductible adjustments as at 31 December 2001</b>	<b>1 664 116</b>
<b>Total adjustments for credit losses</b>	<b>1 963 893</b>

<b>CZK 000</b>	<b>2002</b>
<b>Tax deductible adjustments for credit losses</b>	
Balance as at 1 January 2002	299 777
Creation during current year	0
Use during current year	(35 750)
Write-off of loans and advances	
Cover of losses from loans sold	(35 750)
Release of adjustments	(229 982)
<b>Balance of tax deductible adjustments as at 31 December 2002</b>	<b>34 045</b>
<b>Non tax deductible adjustments for credit losses</b>	
Balance as at 1 January 2002	1 664 116
FX rate differences	(713)
Creation during current year	1 238 158
Use during current year	
Write-off of loans and advances	0
Cover of losses from loans sold	0
Release of adjustments	(31 398)
<b>Balance of non tax deductible adjustments as at 31 December 2002</b>	<b>2 870 163</b>
<b>Total adjustments for credit losses</b>	<b>2 904 208</b>

(d) **Other adjustments to losses from receivables (tax non-deductible)**

<b>CZK 000</b>	<b>2001</b>
Balance as at 1 January 2001	1 265
Creation during current year	3 988
Use during current year	(3 540)
<b>Balance of other adjustments as at 31 December 2001*</b>	<b>1 713</b>
<b>CZK 000</b>	<b>2002</b>
Balance as at 1 January 2002*	1 359
Creation during current year	139 388
Use during current year	(74)
Release of adjustments	(981)
<b>Balance of other adjustments as at 31 December 2002</b>	<b>139 692</b>
<b>Total adjustments for credit losses as at 31 December 2002</b>	<b>3 043 900</b>

\* Change in accounting standards - adjustments to securities in amount CZK 354 thousand released into the extraordinary income

## 27. RETAINED EARNINGS, RESERVE FUNDS AND OTHER FUNDS ALLOCATED FROM PROFIT

The Bank has allocated the 2001 profit and proposes to allocate the 2002 profit and use reserve funds as follows::

CZK 000	Profit	Retained earnings	Statutory reserve fund	Capital funds and other funds from profit
Balance at 1 January 2002		1 600 303	102 000	4 701 979
Profit for the year 2001	843 000			
Allocation of 2001 profit approved by the Supervisory Board:				
Transfers to reserves	0	0	0	0
Dividends	0			
Transfers to retained profit	(843 000)	843 000		
Balance at 31 December 2002 before allocation of 2002 profit		2 443 303	102 000	4 701 979
Profit for the year 2002	910 930			
Proposed allocation of 2002 profit:				
Transfers to reserves	0	0	0	0
Dividends	0			
Transfer to retained earnings	(910 930)	910 930		
		<b>3 354 233</b>	<b>102 000</b>	<b>4 701 979</b>

## 28. INCOME TAX AND DEFERRED TAX ASSET / LIABILITY

### (a) Current income tax

During 2002 the Financial Authority conducted a tax inspection covering the years 1998-2000. As a result of the inspection the Financial Authority assessed the Bank additional taxes of CZK114 494 100 for 1999 and at 31 December 2002 this is included as a part of other liabilities. Presently the Bank has appealed to Financial Directory in Prague.

### (b) Deferred tax liability / asset

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 31%. Deferred income tax assets and liabilities are attributable to the following items:

CZK 000	2002	2001	2000
<b>Deferred tax assets</b>	<b>891 008</b>	<b>917 340</b>	<b>990 264</b>
Credit provisions	506 340	624 913	362 707
Tax loss carry-forward	47 392	62 090	493 393
Tangible and intangible fixed assets	337 276	230 337	134 164
<b>Deferred tax liability</b>	<b>(315 205)</b>	<b>(463 810)</b>	<b>(658 410)</b>
Discounted loans receivable	(315 205)	(463 810)	(658 410)
<b>Net deferred tax asset</b>	<b>575 803</b>	<b>453 530</b>	<b>331 854</b>

Deferred tax of CZK 122 273 thousand (2001: CZK 121 676 thousand, 2000: CZK 331 854 thousand) results from the change in the balance of the net deferred tax asset calculated as at 31 December 2002 and 2001.

Bank management believes that it is highly probable that the Bank will fully realise its recorded net deferred tax asset as at 31 December 2002 based upon the Bank's current and expected future level of taxable profits.

### (c) Income tax expense

CZK 000	2002	2001	2000
Current income tax	0	0	0
Income tax assessed relating to prior periods	114 494	0	0
Deferred income tax	(122 273)	(121 676)	4 159
<b>Income tax expense (benefit)</b>	<b>(7 779)</b>	<b>(121 676)</b>	<b>4 159</b>

2000 was the first year that the Bank recorded deferred taxes. Deferred taxes totalling CZK 336 013 thousand related to the period to 1 January 2000 were recorded as extraordinary income in that year and only the change in the net deferred tax assets totalling CZK 4 159 thousand were recorded as income tax expense in that year.

## 29. OFF-BALANCE SHEET

### (a) Irrevocable contingent liabilities arising from acceptances and endorsements, other written contingent liabilities and assets pledged as collateral

CZK 000	2002	2001	2000
<b>Banks</b>			
Notes acceptances and endorsements	41 141	43 049	1 340 025
Payables resulting from guarantees	0	0	0
Letters of credit and financial guarantees	0	0	0
Assets pledged as collateral	0	0	0
<b>Total</b>	<b>41 141</b>	<b>43 049</b>	<b>1 340 025</b>
<b>Customers</b>			
Notes acceptances and endorsements	4 255 810	709 260	5 979
Payables resulting from guarantees	24 247	41 026	16 411
Letters of credit and financial guarantees	345 433	327 864	355 543
Assets pledged as collateral	0	0	17 707
<b>Total</b>	<b>4 625 490</b>	<b>1 078 150</b>	<b>395 640</b>
	<b>4 666 631</b>	<b>1 121 199</b>	<b>1 735 665</b>

### (b) Off-balance sheet financial instruments

CZK 000	Contractual amounts			Fair value		
	2002	2001	2000	2002	2001	2000
<b>Hedging instruments</b>						
Forward foreign exchange purchase contracts	0	0	0	0	0	0
Forward foreign exchange sale contracts	0	0	0	0	0	0
Interest rate swap contracts	0	0	2 128 746	0	0	8 375
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2 128 746</b>	<b>0</b>	<b>0</b>	<b>8 375</b>
<b>Trading instruments</b>						
Forward foreign exchange purchase contracts	79 750	246 106	562 897	1 743	(9 486)	(7 649)
Forward foreign exchange sale contracts	76 987	244 275	569 312	631	8 347	2 369
Interest rate swap contracts	6 795 010	5 113 124	0	(315 577)	(147 029)	0
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	801 937	0	0	(333)	0	0
<b>Total</b>	<b>7 753 684</b>	<b>5 603 505</b>	<b>1 132 209</b>	<b>(313 536)</b>	<b>(148 168)</b>	<b>(5 280)</b>

In year 2000 interest rate swaps treated as hedging instruments.

(c) Residual maturity of financial derivatives

CZK 000	Up to 3 months	3 mths to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
<b>At 31 December 2002</b>						
<b>Hedging instruments</b>						
Forward foreign exchange purchase contracts	0	0	0	0	0	0
Forward foreign exchange sale contracts	0	0	0	0	0	0
Interest rate swap contracts	0	0	0	0	0	0
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Trading instruments</b>						
Forward foreign exchange purchase contracts	20 799	60 695	0	0	0	81 493
Forward foreign exchange sale contracts	24 866	52 752	0	0	0	77 618
Interest rate swap contracts	0	0	6 479 433	0	0	6 479 433
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	801 604	0	0	0	0	801 604
<b>At 31 December 2001</b>						
<b>Hedging instruments</b>						
Forward foreign exchange purchase contracts	0	0	0	0	0	0
Forward foreign exchange sale contracts	0	0	0	0	0	0
Interest rate swap contracts	0	0	0	0	0	0
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Trading instruments</b>						
Forward foreign exchange purchase contracts	45 717	177 272	23 116	0	0	246 106
Forward foreign exchange sale contracts	49 314	170 358	24 602	0	0	244 274
Interest rate swap contracts	0	0	4 889 824	223 300	0	5 113 124
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>At 31 December 2000</b>						
<b>Hedging instruments</b>						
Forward foreign exchange purchase contracts	0	0	0	0	0	0
Forward foreign exchange sale contracts	0	0	0	0	0	0
Interest rate swap contracts	0	0	2 128 746	0	0	2 128 746
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Trading instruments</b>						
Forward foreign exchange purchase contracts	239 617	300 823	22 457	0	0	562 897
Forward foreign exchange sale contracts	240 606	305 847	22 859	0	0	569 312
Interest rate swap contracts	0	0	0	0	0	0
Forward rate agreements (FRA)	0	0	0	0	0	0
Option contracts	0	0	0	0	0	0
Other	0	0	0	0	0	0

**(d) Borrowing facilities**

The Bank has available overdraft facilities up to USD 100 million from ABN AMRO Bank N. V. in accordance with agreement No 98/50000004BM/1 dated 1 July 1998.

**30. FINANCIAL INSTRUMENTS – MARKET RISK**

The Bank is exposed to market risks arising from the open positions of transactions with interest rates, equity and currency instruments, which are sensitive to the changes in conditions on financial markets.

**(a) Trading**

The Bank holds trading positions in certain financial instruments including financial derivatives. The majority of the Bank's business activities are conducted on the basis of the requirements of the Bank's customers. According to the estimated demand of its customers the Bank holds a certain supply of financial instruments and maintains the admission to the financial markets through the quoting of bid and ask prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets. The Bank's business strategy is thus affected by the speculative expectation and market creation and its goal is to maximise net income from trading.

The Bank manages risks associated with its trading activities on the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are the volume limits of individual transactions, stop loss limits and Value at Risk (VaR) limits. The quantitative methods applied to risk management are included in "Risk management".

The majority of derivatives are contracted on the OTC market as a result of the non-existence of the public market with financial derivatives in the Czech Republic.

**(b) Other (non-trading) activities**

The selected risks to which the Bank is exposed as a result of its non-trading activities, management of positions arising as a result of these activities and the Bank's approach to the management of these risks are described below. More details on the procedures used by the Bank to measure and manage these risks are included in "Risk management".

**Liquidity risk**

Liquidity risk arises as a result of the type of financing of the Bank's activities and management of its positions. It includes both the risk of being able to finance the Bank's assets using the instruments with the appropriate maturity and the Bank's ability to dispose of / sell its assets for the appropriate price within the appropriate time period.

The Bank has access to diversified sources of funds, which comprise deposits and other savings, securities issued, loans accepted including subordinated loans and equity. This diversification makes the Bank flexible and limits its dependency on one financing source. The Bank regularly evaluates a liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Bank's board of directors. The Bank also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

### Residual maturity of the Bank's assets and liabilities

CZK 000	Up to 3 months	3 mths to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
<b>At 31 December 2002</b>						
Cash	1 782 005	0	0	0	640 446	2 422 451
State zero coupon bonds	2 193 353	588 387	0	0	0	2 781 740
Receivables from banks	21 502 795	1 100 000	0	0	0	22 602 795
Receivables from customers	2 880 278	4 985 561	8 698 882	2 152 245	970 787	19 687 753
Debt securities	1 302 870	274 513	301 350	0	0	1 878 733
Shares, units	0	0	0	0	26 394	26 394
Participation interests with substantial influence	0	0	0	0	240	240
Participation interests with controlling influence	0	0	0	0	0	0
Other assets	73 689	497 104	0	0	1 656 618	2 227 411
Prepaid expenses and accrued income	0	0	0	0	83 774	83 774
<b>Total</b>	<b>29 734 990</b>	<b>7 445 565</b>	<b>9 000 232</b>	<b>2 152 245</b>	<b>3 378 259</b>	<b>51 711 291</b>
Due to banks	0	0	0	0	0	0
Due to customers	37 657 780	2 085 567	1 629 099	12 240	26 087	41 410 773
Payables from debt securities	0	0	0	0	0	0
Other liabilities	905 131	0	0	0	9 260 572	10 165 703
Accrued expenses and deferred income	0	0	0	0	134 815	134 815
Subordinated liabilities	0	0	0	0	0	0
<b>Total</b>	<b>38 562 911</b>	<b>2 085 567</b>	<b>1 629 099</b>	<b>12 240</b>	<b>9 421 474</b>	<b>51 711 291</b>
<b>Gap</b>	<b>(8 827 921)</b>	<b>5 359 998</b>	<b>7 371 133</b>	<b>2 140 005</b>	<b>(6 043 215)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(8 827 921)</b>	<b>(3 467 923)</b>	<b>3 903 210</b>	<b>6 043 215</b>	<b>0</b>	<b>0</b>
<b>At 31 December 2001</b>						
Cash	1 206 534	0	0	0	793 707	2 000 241
State zero coupon bonds	26 327 000	0	0	0	0	26 327 000
Receivables from banks	33 342 523	993 571	0	0	279 213	34 615 307
Receivables from customers	2 860 559	3 271 790	4 307 618	519 397	806 459	11 765 823
Debt securities	934 796	295 009	407 788	0	0	1 637 593
Shares, units and other investments	0	0	0	0	26 394	26 394
Participation interests with substantial influence	0	0	0	0	300	300
Participation interests with controlling influence	0	0	0	0	0	0
Other assets	285 681	57 912	16 677	75 462	1 687 723	2 123 455
Prepaid expenses and accrued income	0	0	0	0	0	0
<b>Total</b>	<b>64 957 093</b>	<b>4 618 282</b>	<b>4 732 083</b>	<b>594 859</b>	<b>3 593 796</b>	<b>78 496 113</b>
Due to banks	26 449 306	0	0	0	0	26 449 306
Due to customers	41 561 832	719 230	7 574	13 772	0	42 302 408
Payables from debt securities	0	0	0	0	0	0
Other liabilities	1 022 120	0	0	0	8 483 177	9 505 297
Accrued expenses and deferred income	0	0	0	0	239 102	239 102
Subordinated liabilities	0	0	0	0	0	0
<b>Total</b>	<b>69 033 258</b>	<b>719 230</b>	<b>7 574</b>	<b>13 772</b>	<b>8 722 279</b>	<b>78 496 113</b>
<b>Gap</b>	<b>(4 076 165)</b>	<b>3 899 052</b>	<b>4 724 509</b>	<b>581 087</b>	<b>(5 128 483)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(4 076 165)</b>	<b>(177 113)</b>	<b>4 547 396</b>	<b>5 128 483</b>	<b>0</b>	<b>0</b>

CZK 000	Up to 3 months	3 mths to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
<b>At 31 December 2000</b>						
Cash	1 129 123	0	0	0	799 740	1 928 863
State zero coupon bonds	21 529 000	0	0	0	0	21 529 000
Receivables from banks	27 343 916	3 650 000	0	0	100 156	31 094 072
Receivables from customers	1 267 551	1 671 617	2 018 721	127 117	862 032	5 947 038
Debt securities	3 029 698	2 278 425	340 381	0	0	5 648 504
Shares, units and other investments	0	0	0	0	26 394	26 394
Participation interests with substantial influence	0	0	0	0	0	0
Participation interests with controlling influence	0	0	0	0	0	0
Other assets	627 865	57 662	22 842	104 230	1 742 295	2 554 894
Prepaid expenses and accrued income	0	0	0	0	0	0
<b>Total</b>	<b>54 927 153</b>	<b>7 657 704</b>	<b>2 381 944</b>	<b>231 347</b>	<b>3 530 617</b>	<b>68 728 765</b>
Due to banks	21 631 772	0	0	0	0	21 631 772
Due to customers	37 232 902	882 167	18 907	15 316	0	38 149 292
Payables from debt securities	0	0	0	0	0	0
Other liabilities	868 663	0	0	0	7 768 752	8 637 415
Accrued expenses and deferred income	0	0	0	0	310 286	310 286
Subordinated liabilities	0	0	0	0	0	0
<b>Total</b>	<b>59 733 337</b>	<b>882 167</b>	<b>18 907</b>	<b>15 316</b>	<b>8 079 038</b>	<b>68 728 765</b>
<b>Gap</b>	<b>(4 806 184)</b>	<b>6 775 537</b>	<b>2 363 037</b>	<b>216 031</b>	<b>(4 548 421)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(4 806 184)</b>	<b>1 969 353</b>	<b>4 332 390</b>	<b>4 548 421</b>	<b>0</b>	<b>0</b>

#### Interest rate risk

The Bank is exposed to an interest rate risk since the interest-bearing assets and liabilities have different maturity dates, periods of changes / adjustments of interest rates and volumes during these periods. In the case of variable interest rates, the Bank is exposed to a basis risk that is based on the difference in the mechanism of adjusting individual types of interest rates, such as Pribor, announced interest on deposits, etc. The Bank's interest rate risk management activities are aimed at optimising net interest income in accordance with the Bank's strategy approved by the board of directors.

Interest rate derivatives are generally used to manage the incongruity between the interest sensitivity of assets and liabilities. These transactions are carried out in accordance with the Bank's strategy for the management of assets and liabilities approved by the board of directors.

The carrying amounts of assets and liabilities and the nominal (notional) values of interest rate derivatives are recorded either in the period in which they are due or in the period in which the interest rate changes, i.e. in the period that occurs earlier. Certain assets or liabilities are allocated to individual periods on the basis of an expert appraisal due to the expected preliminary repayment or non-defined maturity dates.

The Bank is exposed only to CZK interest rate risk (the foreign currencies risk is insignificant).

### Interest sensitivity of the Bank's assets and liabilities

CZK 000	Up to 3 months	3 mths to 1 year	1 year to 5 years	Over 5 years	Total
<b>At 31 December 2002</b>					
State zero coupon bonds	2 200 000	600 000	0	0	2 800 000
Receivables from banks	21 649 249	600 000	0	0	22 249 249
Receivables from customers	11 540 326	1 868 540	7 567 431	0	20 976 297
Debt securities	1 500 000	250 400	0	0	1 750 400
Other interest sensitive assets	0	0	0	0	0
<b>Total</b>	<b>36 889 575</b>	<b>3 318 940</b>	<b>7 567 431</b>	<b>0</b>	<b>47 775 946</b>
Due to banks	0	0	0	0	0
Due to customers	37 661 603	1 658 736	1 139 118	0	40 459 457
Payables from debt securities	0	0	0	0	0
Other interest sensitive liabilities	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
<b>Total</b>	<b>37 661 603</b>	<b>1 658 736</b>	<b>1 139 118</b>	<b>0</b>	<b>40 459 457</b>
Long positions of interest rate derivatives	6 795 677	0	0	0	6 795 677
Short positions of interest rate derivatives	337 827	1 322 122	5 135 728	0	6 795 677
<b>Gap</b>	<b>5 685 822</b>	<b>338 082</b>	<b>1 292 585</b>	<b>0</b>	<b>7 316 489</b>
<b>Cumulative gap</b>	<b>5 685 822</b>	<b>6 023 904</b>	<b>7 316 489</b>	<b>7 316 489</b>	
<b>At 31 December 2001</b>					
State zero coupon bonds	0	0	0	0	0
Receivables from banks	32 231 130	1 000 000	0	0	33 231 130
Receivables from customers	6 882 638	1 097 308	5 247 668	0	13 227 614
Debt securities	1 236 000	290 000	100 400	0	1 626 400
Other interest sensitive assets	0	0	0	0	0
<b>Total</b>	<b>40 349 768</b>	<b>2 387 308</b>	<b>5 348 068</b>	<b>0</b>	<b>48 085 144</b>
Due to banks	0	0	0	0	0
Due to customers	39 600 145	1 786 313	141 328	0	41 527 786
Payables from debt securities	0	0	0	0	0
Other interest sensitive liabilities	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
<b>Total</b>	<b>39 600 145</b>	<b>1 786 313</b>	<b>141 328</b>	<b>0</b>	<b>41 527 786</b>
Long positions of interest rate derivatives	5 167 658	0	0	0	5 167 658
Short positions of interest rate derivatives	163 588	824 125	4 179 945	0	5 167 658
<b>Gap</b>	<b>5 753 693</b>	<b>(223 130)</b>	<b>1 026 795</b>	<b>0</b>	<b>6 557 358</b>
<b>Cumulative gap</b>	<b>5 753 693</b>	<b>5 530 563</b>	<b>6 557 358</b>	<b>6 557 358</b>	

CZK 000	Up to 3 months	3 mths to 1 year	1 year to 5 years	Over 5 years	Total
<b>At 31 December 2000</b>					
State zero coupon bonds	0	0	0	0	0
Receivables from banks	27 202 355	3 650 000	0	0	30 852 355
Receivables from customers	4 575 444	550 146	2 365 061	0	7 490 651
Debt securities	4 051 000	1 267 000	340 000	0	5 658 000
Other interest sensitive assets	0	0	0	0	0
<b>Total</b>	<b>35 828 799</b>	<b>5 467 146</b>	<b>2 705 061</b>	<b>0</b>	<b>44 001 006</b>
Due to banks	0	0	0	0	0
Due to customers	32 435 140	4 365 059	384 954	0	37 185 153
Payables from debt securities	0	0	0	0	0
Other interest sensitive liabilities	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
<b>Total</b>	<b>32 435 140</b>	<b>4 365 059</b>	<b>384 954</b>	<b>0</b>	<b>37 185 153</b>
Long positions of interest rate derivatives	2 178 746	81 000	0	0	2 259 746
Short positions of interest rate derivatives	50 000	323 319	1 886 427	0	2 259 746
<b>Gap</b>	<b>5 522 405</b>	<b>859 768</b>	<b>433 680</b>	<b>0</b>	<b>6 815 853</b>
<b>Cumulative gap</b>	<b>5 522 405</b>	<b>6 382 173</b>	<b>6 815 853</b>	<b>6 815 853</b>	

#### Currency risk

Assets and liabilities denominated in foreign currency including off-balance sheet exposures represent the Bank's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the profit and loss account. The Bank's foreign currency position in the most significant currencies is as follows:

#### The Bank's foreign currency position

CZK 000	EUR	CZK	Other	Total
<b>At 31 December 2002</b>				
Cash	44 536	2 359 286	18 629	2 422 451
State zero coupon bonds	0	2 781 740	0	2 781 740
Receivables from banks	740 331	21 331 856	530 608	22 602 795
Receivables from customers	1 896	19 659 141	26 716	19 687 753
Debt securities	0	1 878 733	0	1 878 733
Shares, units and other investments	0	26 394	0	26 394
Participation interests with substantial influence	0	240	0	240
Participation interests with controlling influence	0	0	0	0
Other assets	919	2 215 279	11 213	2 227 411
Prepaid expenses and accrued income	0	83 774	0	83 774
<b>Total</b>	<b>787 682</b>	<b>50 336 443</b>	<b>587 166</b>	<b>51 711 291</b>
Due to banks	0	0	0	0
Due to customers	768 929	40 126 192	515 652	41 410 773
Payables from debt securities	0	0	0	0
Other liabilities	7 901	10 149 270	8 532	10 165 703
Accrued expenses and deferred income	0	134 815	0	134 815
Subordinated liabilities	0	0	0	0
<b>Total</b>	<b>776 830</b>	<b>50 410 277</b>	<b>524 184</b>	<b>51 711 291</b>
Long-positions of off-balance sheet instruments	79 052	0	352 819	431 871
Short-positions of off-balance sheet instruments	72 723	0	19 999	92 722
<b>Net foreign currency position</b>	<b>17 181</b>	<b>(73 834)</b>	<b>395 802</b>	<b>339 149</b>

CZK 000	EUR	CZK	Other	Total
<b>At 31 December 2001</b>				
Cash	0	1 930 059	70 182	2 000 241
State zero coupon bonds	0	26 327 000	0	26 327 000
Receivables from banks	0	33 171 172	1 444 135	34 615 307
Receivables from customers	0	11 705 527	60 296	11 765 823
Debt securities	0	1 637 593	0	1 637 593
Shares, units and other investments	0	26 394	0	26 394
Participation interests with substantial influence	0	300	0	300
Participation interests with controlling influence	0	0	0	0
Other assets	0	1 743 498	5 016	1 748 514
Prepaid expenses and accrued income	0	371 097	3 844	374 941
<b>Total</b>	<b>0</b>	<b>76 912 640</b>	<b>1 583 473</b>	<b>78 496 113</b>
Due to banks	0	26 448 385	921	26 449 306
Due to customers	0	41 042 343	1 260 065	42 302 408
Payables from debt securities	0	0	0	0
Other liabilities	0	9 459 606	45 691	9 505 297
Accrued expenses and deferred income	0	238 230	872	239 102
Subordinated liabilities	0	0	0	0
<b>Total</b>	<b>0</b>	<b>77 188 564</b>	<b>1 307 549</b>	<b>78 496 113</b>
Long-positions of off-balance sheet instruments	0	0	493 264	493 264
Short-positions of off-balance sheet instruments	0	0	174 821	174 821
<b>Net foreign currency position</b>	<b>0</b>	<b>(275 924)</b>	<b>594 367</b>	<b>318 443</b>
<b>At 31 December 2000</b>				
Cash	0	1 839 755	89 108	1 928 863
State zero coupon bonds	0	21 529 000	0	21 529 000
Receivables from banks	0	30 263 486	830 586	31 094 072
Receivables from customers	0	5 820 750	126 288	5 947 038
Debt securities	0	5 648 504	0	5 648 504
Shares, units and other investments	0	26 394	0	26 394
Participation interests with substantial influence	0	0	0	0
Participation interests with controlling influence	0	0	0	0
Other assets	0	2 180 948	28 281	2 209 229
Prepaid expenses and accrued income	0	344 136	1 529	345 665
<b>Total</b>	<b>0</b>	<b>67 652 973</b>	<b>1 075 792</b>	<b>68 728 765</b>
Due to banks	0	21 630 551	1 221	21 631 772
Due to customers	0	37 310 074	839 218	38 149 292
Payables from debt securities	0	0	0	0
Other liabilities	0	8 439 936	197 479	8 637 415
Accrued expenses and deferred income	0	310 286	0	310 286
Subordinated liabilities	0	0	0	0
<b>Total</b>	<b>0</b>	<b>67 690 847</b>	<b>1 037 918</b>	<b>68 728 765</b>
Long-positions of off-balance sheet instruments	0	0	898 344	898 344
Short-positions of off-balance sheet instruments	0	0	59 864	59 864
<b>Net foreign currency position</b>	<b>0</b>	<b>(37 874)</b>	<b>876 354</b>	<b>838 480</b>

The Bank was not able to reconstruct prior years in the FX currency structure of the year 2002 but the signification of the balances in foreign currencies is very low in comparison with Czech crowns portfolio.

(c) **Risk management**

The Bank's risk management concentrates on the management of the total net risk position resulting from the Bank's structure of assets and liabilities. The Bank monitors interest rate risks by monitoring the excess of interest sensitive assets or liabilities in individual time periods. For the hedge accounting purposes the Bank identifies specific assets / liabilities causing this incongruity in a way to meet the criteria for the application of the hedge accounting.

**Interest rate risks**

The Bank applies a duration analysis for the measurement of interest sensitivity of non-trading assets and liabilities. "Duration" means the average time during which the Bank collects the present value of cash flows derived from individual instruments, i.e. represents the sensitivity of instruments towards interest rate risks.

The impact simulation on bank's market value is a superstructure of bank's credit risk monitoring. The bank regularly measures unfavourable development of market interest rates development impact on bank market value.

The negative impact on bank market value in case of 1% unfavourable market interest rate change is CZK 22.044 millions.

**Currency risk**

The Bank has set currency risk limits based on its net currency exposure in individual currencies. The Bank has determined a currency risk limit of 1 % of the Bank's capital with respect to individual currencies and a limit of 1 % of the capital with respect to the total net currency exposure of the Bank.

**Value at Risk**

Market risks arising from the Bank's trading activities are managed using the Value at Risk method. Value at Risk represents a potential loss from an unfavourable movement on the market within a certain time period on a certain confidence level. The Bank determines Value at Risk using the stochastic simulation of a large number of scenarios of potential development on the financial markets. Value at Risk is measured based on a one-day holding period and confidence level of 99 %. The results of this model are back-tested and compared with the actual results achieved on the financial markets on a daily basis. If the Bank identifies any inaccuracies, the model is adjusted to be in line with the current development on the financial markets. The Value at Risk relating to individual types of risks was as follows:

CZK 000	Average for		Average for		Average for	
	2002	2002	2001	2001	2000	2000
VaR of interest rate instruments	978	2 107	2 335	1 720	1 260	1 466
VaR of currency instruments *	227	450	223	184	405	172
VaR of equity instruments	0	0	0	0	0	0

\* Years 2001 a 2000 VaR only for EUR, USD, GBP.

### 31. FINANCIAL INSTRUMENTS – CREDIT RISK

The Bank is exposed to credit risks as a result of its trading activities, providing the loans, hedging transactions, investment and mediation activities.

Credit risks associated with trading and investment activities are managed using the methods and instruments applied for the management of the Bank's market risks.

The credit risk volume is negligible because of bank's balancing sum. As to credit risk management the bank is very conservative.

#### (a) Classification of receivables

The Bank classifies receivables into individual categories in accordance with the ČNB decree issued on 9 July 1998. The classification is as follows:

##### **Standard receivables**

Receivables that are repaid within their due dates or are not overdue for more than 30 days from the contractual date of maturity. The Bank receives information on the financial position of the debtor within 30 days from the date when it should receive such information in accordance with the contract.

##### **Special mentioned receivables**

Receivables that are overdue for more than 31 days and less than 90 days from the contractual date of maturity. The Bank does not have available information on the financial position of the debtor more than 31 days and less than 90 days from the date when it should receive such information in accordance with the contract.

##### **Substandard receivables**

Receivables that are overdue for more than 91 days and less than 180 days from the contractual date of maturity. The Bank does not have available information on the financial position of the debtor more than 91 days and less than 180 days from the date when it should receive such information in accordance with the contract.

##### **Doubtful receivables**

Receivables that are overdue for more than 181 days and less than 360 days from the contractual date of maturity. The Bank does not have available information on the financial position of the debtor more than 181 days and less than 360 days from the date when it should receive such information in accordance with the contract.

##### **Loss receivables**

Receivables that are overdue for more than 361 days from the contractual date of maturity. The Bank does not have available information on the financial position of the debtor more than 361 days from the date when it should receive such information in accordance with the contract.

**(b) Evaluation of collateral**

The Bank generally requires collateral for loans granted to certain debtors before the provision of these loans. As acceptable collateral, which reduces gross credit exposure for the purpose of calculation of adjustments, the Bank considers the following types of collateral:

- Cash
- Securities
- First-class receivables
- Bank guarantee
- Guarantee provided by a reputable third party
- Real estates
- Machinery and equipment

The Bank's assessment of the net realisable value of the collateral is based on an expert appraisal or internal evaluation prepared by the Bank's special department. The net realisable value of the collateral is determined using this value and the correction coefficient, which reflects the Bank's ability to realise the collateral when necessary.

**(c) Credit risk measurement models for consumer loans**

Consumer loans credit risk, which are not charged off in accord with US GAAP rules, are monitored by bank via Markov model which is based on Markov chain theory which enables to predicate future losses linked to these deals. Future loan losses which are not written off in accordance with US GAAP rules are predicated on the basis of loan deals movements between model individual statuses (groups of accounts with similar behavior). To establish parameters the yearly history is applied. The source for expected future losses calculation and for model parameters calculation is a bank database. To calculate reserves the future losses are reduced by expected payments amounts (Recovery), which will be settled once the loan has been declared as written off in accordance with US GAAP rules. Recoveries are planned on the basis of complete available history (i.e. 24 months history as at 12/2002).

**(d) Concentration of credit risk**

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet his obligations. The Bank treats a receivable from a debtor or an economically bound group of debtors that exceeds 3 % of the Bank's capital as a significant exposure. The Bank has created a system of internal limits for individual countries, industries and debtors in order to prevent significant concentration of credit risks. At the balance sheet date the Bank did not have any significant concentration of credit risks with respect to any individual debtor.

**Analysis by geographical areas**

CZK 000	2002	2001	2000
Czech Republic	54 176 455	80 556 356	68 987 384
Slovakia	26 103	33 036	30 778
Germany	209 195	12 251	5 358
Other	1 408 334	601 710	1 464 908
<b>Total</b>	<b>55 820 087</b>	<b>81 203 353</b>	<b>70 488 428</b>

### **32. LITIGATION**

Three lawsuits are currently pending against the Bank as defendant, which contest the validity of the Agreement on the Sale of a Part of the Enterprise of Agrobanka Praha, a.s., dated June 22, 1998. In the case of Václav Sládek, a shareholder of Agrobanka Praha, a.s., in liquidation, and of the members of the Supervisory Board of Agrobanka Praha, a.s., in liquidation, the lawsuits are conducted for the declaration of invalidity of the Agreement. The lawsuit conducted by HZ, spol. s r.o., the liquidator of Agrobanka Praha, a.s., in liquidation, is conducted for the declaration of validity of the Agreement. In all the lawsuits, the Bank insists on, and has furnished the court with its position based on extensive legal analyses supporting, the validity of the Agreement on the Sale of a Part of the Enterprise, and, in addition, has objected procedural defects on the side of the plaintiffs, which procedural legal defects alone constitute grounds for dismissing the actions. However, should the plaintiffs be successful in having the original purchase and sale contract declared null and void, the impact could be significant to the Bank's financial position. At this point in time the impact of such an outcome is undeterminable and management is convinced that the plaintiffs are unlikely to be successful in their actions.

### **33. SUBSEQUENT EVENTS**

In 2003 the Bank paid CZK 1 759 705 million to purchase of portfolio of receivables discounted from face value from Komerční banka. The Bank received a guarantee from its parent company for these receivables.

The Municipal Court in Prague decided on a petition of GE Capital Bank, a.s regarding a registration of increase in its registered capital in the Commercial Register. As of 25 March 2003 the registered capital of GE Capital Bank, a.s. is CZK 510 million.