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Komerční banka reported in 2002 unconsolidated net profit of CZK 8,763million

Prague, March 31, 2003 – Unconsolidated net profit according to International Financial Reporting Standards amounted to CZK 8,763 million. This successful result was influenced mainly by the following factors:

- **Slight decrease in net banking income**

The bank generated a net banking income of CZK 22,597 million, which represents decrease by 5.1% year on year. This result was partially affected by the declining interest rate environment and lower fees and commissions from foreign exchange operations linked to the introduction of the euro. The income from fees and commissions was also negatively influenced by the August floods in the Czech Republic.

- **Significant reduction of operating costs**

Efficient cost control, and staff reductions together with centralisation processes and savings in the contribution to the Deposit Insurance Fund led to a year-on-year decrease of the operating costs by 15.3%. Operating costs amounted to CZK 12,760 million.

- **Release of provisions and reserves**

The continuous improvement of the loan portfolio quality and a partial release of general provisions following legislative changes resulted in net release of provisions for loan and investment losses amounting to CZK 1,434 million in 2002.

- **Posting of deferred income tax**

The return to profitability led to the first posting of a deferred income tax assets in 2002. Income tax after posting total deferred tax amounted to CZK 2,508 million.

Unconsolidated financial results (IFRS)

Profit and loss account (CZK million)	December 31 2001	December 31 2002	Change
Net banking income	23,809	22,597	- 5.1%
Operating costs	-15,065	-12,760	- 15.3%
Net operating income	8,744	9,837	+ 12.5%
Provisions for loan and investment losses	- 5,333	1,434	-
Income tax	-879	-2,508	+ 185.3%
Net profit	2 532	8,763	+ 246.1%

Key ratios and indicators (%)	December 31 2001	December 31 2002	Change
Capital Adequacy - ČNB	15.2	13.4	-
Net Interest Margin	3.6	3.3	-
Cost / Income ratio, including restructuring costs	63.3	56.5	-
Return on average equity (ROAE)	11.6	30.6	-
Return on average assets (ROAA)	0.6	2.0	-
Number of employees (FTE number)	9,238	8,788	- 4.9%

The bank's total assets grew by 4.3% and amounted to CZK 439.8 billion at the end of 2002.

Net loans and advances to customers amounted to CZK 121.2 billion, representing a decline by 1.3% in comparison with the end of 2001. The main factor causing the decline was the successful reduction of the portfolio of non-performing loans.

Customers' deposits grew by 6.2% in comparison with 2001 and amounted to CZK 341.1 billion at the end of 2002.

Business Highlights

At the end of 2002, Komerční banka provided services to a total of **1.26 million clients**. During 2002, the bank **acquired 18,000 new clients**.

During 2002, **Komerční banka increased the number of its direct banking clients by 49%** to 390,000. Direct banking clients represent 31% of the total client base and made 37% of all transactions managed by the bank in 2002.

The bank's heavier emphasis on retail banking has been vindicated by the **dynamic development of mortgage and consumer loans**. Outstanding mortgage loans increased by 29% during 2002 and amounted to CZK 18.3 billion. Outstanding consumer loans increased by 28% to CZK 7.7 billion.

The bank's countrywide sales network increased by 8 points of sale to total 331 points of sale during 2002. Moreover, the bank has expanded its ATM network by 105 new ATMs to a total of 440 ATMs in 2002.

Outlook for the future

Over the next three years, Komerční banka expects the Transformation Programme to have a positive impact on business and financial performance of the Bank, as well as on the quality of services and number of clients. On the other hand, the decreasing interest rate environment and a slowdown of GDP growth in Czech Republic and the whole of Europe may have a negative effect on the bank's financial performance.

Marie Petrovová
KB's spokesperson