

Independent Auditor's Report

To the Board of Directors and the Shareholders of Erste & Steiermärkische Bank d.d.:

_____ We have audited the accompanying financial statements of Erste & Steiermärkische Bank d.d. (the Bank) as at 31 December 2002, as set out on pages 2 to 32. The financial statements have been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, as required by the Croatian Accounting Law.

Respective responsibilities of the Board and auditors

_____ These financial statements are the responsibility of the Bank's Board. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of opinion

_____ We conducted our audit of the financial statements of the Bank in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from 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 the significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

_____ In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2002 and of the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards, as required by the Croatian Accounting Law.

Ernst & Young Croatia d.o.o.

ERNST & YOUNG

Ernst & Young Croatia d.o.o.



Željko Faber

Zagreb, 28th February 2003

Profit and Loss Account

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

		Note	2002	2001
Interest and similar income	>	3	445.616	354.130
Interest and similar expense	>	3	(180.124)	(133.090)
Net interest income before provisions			265.492	221.040
Provisions for identified and unidentified loan losses, net of recoveries	>	13, 14, 15, 17, 19, 27	(67.824)	(58.781)
Net interest income after provisions			197.668	162.259
Fee and commission income	>	4	96.922	55.983
Fee and commission expense	>	4	(61.704)	(24.756)
Net fee and commission income			35.218	31.227
Net foreign exchange gains	>	5	41.806	46.718
Net income from securities	>	6	19.613	3.028
Other operating income	>	7	9.415	7.920
Total income			303.720	251.152
Depreciation			(18.644)	(15.915)
General administrative expenses	>	8	(166.644)	(124.677)
Other operating expenses	>	9	(5.602)	(16.823)
Total expenses			(190.890)	(157.415)
Profit before tax for the year			112.830	93.737
Income taxes	>	10	(23.890)	(19.152)
Net profit for the year			88.940	74.585
Earnings per share in HRK	>	29	1.439	1.207

Balance Sheet

At 31 December 2002 (all amounts expressed in HRK thousand)

	Note	2002	2001
ASSETS			
Cash and current accounts with banks	> 11	424.083	443.769
Balances with Croatian National Bank	> 12	413.032	276.937
Securities	> 13	1.143.614	573.416
Due from other banks	> 14	661.678	374.289
Loans to customers	> 15	4.172.488	2.897.666
Assets held for sale	> 16	20.853	22.645
Accrued interest and other assets	> 17	188.698	158.836
Amounts due from the Republic of Croatia	> 18	17.248	23.821
Investment securities	> 19	7.585	8.463
Property and equipment	> 20	186.391	130.733
Total assets		7.235.670	4.910.575
LIABILITIES			
Due to other banks	> 21	454.385	167.078
Due to customers	> 22	3.733.744	2.746.324
Frozen savings	> 23	16.070	22.619
Other borrowed funds	> 24	2.062.295	1.263.344
Accrued interest	> 25	48.914	36.735
Other liabilities	> 26	202.581	153.683
Provisions for contingencies	> 27	10.903	14.817
Subordinated instruments	> 28	158.889	9.946
Total liabilities		6.687.781	4.414.546
SHAREHOLDERS' EQUITY			
Share capital	> 29	271.924	271.924
Share premium		44.628	44.628
Reserves and retained earnings		142.397	104.892
Profit for the year		88.940	74.585
Total shareholders' equity		547.889	496.029
Total equity and liabilities		7.235.670	4.910.575
Commitments and contingencies	> 30	832.055	555.090

Financial statements were approved on 28 February 2003 by:



Member of the Management Board
Borislav Centner



President of the Management Board
Tomislav Vuić

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

	Share capital	Share premium	Legal reserves	Other reserves	Revaluation reserves	Total reserves	Retained profits	Total shareholders equity
Balance at 1 January 2001	271.924	44.628	9.691	75.364	130	85.185	50.608	452.345
Payment of dividend for the year 2000	-	-	-	-	-	-	(30.901)	(30.901)
Transfer to reserves	-	-	-	19.707	-	19.707	(19.707)	-
Profit for the year	-	-	-	-	-	-	74.585	74.585
Balance at 31 December 2001	271.924	44.628	9.691	95.071	130	104.892	74.585	496.029
Payment of dividend for the year 2001	-	-	-	-	-	-	(37.080)	(37.080)
Transfer to reserves	-	-	3.905	33.518	(130)	37.293	(37.293)	-
Profit for the year	-	-	-	-	-	-	88.940	88.940
Balance at 31 December 2002	271.924	44.628	13.596	128.589	0	142.185	89.152	547.889

Cash Flow Statement

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

	2002	2001
Operating activities		
Profit before tax for the year	112.830	93.737
Provisions for identified and unidentified loan losses, net of recoveries	67.824	58.781
Depreciation	18.644	15.915
Paid income tax	(7.891)	(8.989)
	191.407	159.444
Decrease/(Increase) in assets		
Balances with Croatian National Bank	(136.095)	(60.958)
Securities	(814.973)	(157.878)
Amounts due from other banks	(2.802)	6.109
Loans to customers	(1.341.974)	(1.267.633)
Accrued interest and other assets	(31.664)	(101.271)
Amounts due from the Republic of Croatia	6.573	8.181
Assets held for sale	1.792	13.373
Increase/(Decrease) in liabilities		
Due to other banks	287.307	39.199
Due to customers	987.420	1.298.240
Frozen savings	(6.549)	(7.627)
Borrowings	798.951	344.825
Accrued interest	12.179	14.849
Other liabilities	32.899	107.433
Net cash flow from operating activities	(15.529)	396.286
Cash flow from investing activities		
Investment securities	(2.202)	356
Investments in property and equipment	(74.302)	(32.229)
Net cash flow from investing activities	(76.504)	(31.873)
Cash flow from financing activities		
Subordinated instruments	148.943	(308)
Distribution of dividend to shareholders	(37.080)	(30.901)
Net cash flow from financing activities	111.863	(31.209)
Net increase in cash and cash equivalents	19.830	333.204
Cash and cash equivalents at the beginning of the year	1.065.051	731.847
Cash and cash equivalents at the end of the year (Note 31)	1.084.881	1.065.051
Additional information		
Collected interest and similar receipts	432.931	328.773
Paid interest and similar payments	167.945	118.241
Income from dividend	36	684
Dividend paid	37.080	30.901

The following notes form an integral part of these financial statements.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

1. General information

Erste & Steiermärkische Bank d.d. Zagreb (the "Bank") is a joint stock company registered under Croatian Law since 1989 (initially under the name Bjelovarska Banka). The Bank's registered headquarters is in Varšavska 3-5, Zagreb, Croatia.

The Bank is licensed to conduct commercial Banking activities in the Republic of Croatia. The main activities of the Bank are offering of various types of deposit and credit services to legal entities and individuals, domestic and international payment operations, issuing of guarantees, sureties and other types of guarantees, buying and selling of securities and other banking services.

Persons responsible for the Bank's operations are: Mr. Tomislav Vuić, President of the Management Board, (appointed 31.07.02.; previously member of the Management Board); Mr. Dragutin Bohuš, Deputy President of the Management Board, (appointed 12.07.02.) and Mr. Borislav Centner.

On 31.07.2002 Mr. Petar Radaković was acquitted of the duty of the President of the Management Board. Mr. Sava Dalbokov was acquitted of the duty of the member of the Management Board on 12.07.2002.

Members of the Supervisory Board are: Reinhard Ortner, President of the Supervisory Board; August Jost, Deputy President of the Supervisory Board; Kristijan Schellander, Josef Kassler, Karin Svoboda, Herbert Martinetz, Reinhold Schuster, Franz Mally, Ivan Ljubanović and Vladimir Jurašić.

As at 31 December 2002, the Bank had 550 employees (as at 31 December 2001, the number of employees was 432).

2. Accounting policies

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

(a) Basis of presentation

These financial statements have been prepared in all

material respects in accordance with the International Accounting Standards (IAS) and applicable requirements of the Croatian Law. Certain accounts which the bank is required to maintain under Croatian accounting regulations, have also been prepared in accordance with the IAS. Where these regulations differ from IAS, adjustments have been made in order to bring them in line with the requirements of IAS. The functional currency of the Bank is the Croatian Kuna (HRK).

(b) Interest income and expenses

Interest income and expenses are stated in the profit and loss account on the basis of interest accrued. Interest is calculated in accordance with legal regulations or contracts entered into by creditors and debtors. In the year 2001, following the adoption of IAS 39, interest income is recognised as accrued, based on the recoverable amount.

(c) Income from fees and commissions

Fees and commissions relate mainly to payment commissions, guarantees, letters of credit and similar instruments, as well as funds managed on behalf of third parties. Fees and commissions are recognised as income as services are provided.

Commissions from transactions in foreign currencies are recorded as income upon realisation.

(d) Foreign currency

Income and expenses in foreign currencies are converted into HRK at the rate quoted on the day of transaction. Assets and liabilities stated in foreign currencies are converted into HRK at the Croatian National Bank mid rate quoted on the last day of accounting period. As at 31. 12. 2002 Croatian National Banks' currency rate for Euro was 7,442292 HRK (31. December 2001: 7,370030 HRK). Gains and losses arising from recalculation of foreign currencies and buying and selling of foreign currencies are stated in the Profit and Loss Account for the relevant year.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

(e) Recognition

Financial assets available for sale as well as held to maturity investments are recognised in the Balance Sheet at the trade date or the date at which the bank made an obligation to buy assets.

Income and expenses concerning changes in fair value of assets available for sale is recognised in Profit and Loss Account. Loans and other receivables created by bank are recognised in balance sheet on settlement day.

(f) Securities

Securities held to maturity are stated at amortised cost adjusted for losses incurred due to the impairment of their values. Discounts made on the financial assets held to maturity are amortised over the period and recognised as interest income.

Financial assets available for sale are shown at their fair values. Premiums on bonds are included in interest income.

Equity securities are stated at their fair value. Investments that are not quoted on financial markets are stated at cost and reviewed for impairment. In case of impairment, a provision is formed against the asset.

(g) Repurchase agreements

The Bank agrees purchase/sale of investments and, at the same time, it settles sale/purchase of the same investments on a future date for a certain price. Investments bought with an obligation of its future sale are not recognised at the balance sheet and these expenditures are recognised as loans to banks or clients. Investments sold based on the contract of repurchase are not derecognised from the balance sheet and are stated in accordance with accounting policy for financial assets available for sale.

Proceeds from sale of the investment is recognised as a liability to bank's clients.

Difference in prices of sale and repurchase is evenly spread through transaction period and included in interest income or expenses.

(h) Loans to clients

Loans are stated in the Balance Sheet in the amount of principal outstanding, net of allowances for identified and unidentified losses. Receivables from loans and calculated interest are written off upon the termination of the liquidation procedures or after they have been legally considered not collectible. Subsequent repayments are recorded as income in the profit and loss account after the collection.

As at 31 December 2002, the aggregate amount of loans that were not fully recoverable amounted to 402 million HRK (31 December 2001; 395 million HRK).

(i) Value adjustments to the loans and advances

At 1 January 2001 the Bank adopted IAS 39 and began to establish loan impairment provision as difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The Bank establishes general provisions for existing loan losses that can generally be expected in the banking sector, but are not yet identified.

The general provisions for unidentified losses related to the balance sheet items are shown as an item deductible from the loans while the provisions for the off - balance sheet items are shown as a liability.

(j) Assets held for sale

Assets held for sale are stated at the lower of cost of investment or market value. Gains and losses arising from disposal of these assets are included in the profit and loss account in the year in which they occur.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

(k) Property and equipment

_____ All property and equipment are stated at the historical cost less depreciation.

Depreciation is calculated at the straight-line basis to write off the purchase value of each asset item during its estimated useful life, as follows.

Buildings	40 - 33 years
Computers	4 years
Furniture and equipment	15 - 5 years
Motor vehicles	4 years
Software	5 years
Other intangible assets	5 years

Gains and losses incurred from selling property and equipment are stated on the basis of their book value in the profit and loss account. Repairs and maintenance are stated in the profit and loss account when the expenditure occurs.

(l) Taxes

_____ Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain income and expense items (such as costs of representation, part of costs for official cars, etc.) in accordance with Croatian regulations.

Under IAS No. 12, "Income Taxes", deferred income taxes are accounted for under the liability method and reflect the tax effect of all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. No deferred tax provisions are required to be made in the financial statement records.

Income tax is calculated at the rate of 20% on taxable income.

(m) Cash and cash equivalents

_____ In the cash flow statement, cash and cash equivalents represent items with residual maturity period shorter than 90 days on the balance sheet date, including: cash and current accounts with banks and receivables from other banks with the maturity period up to 90 days, highly liquid Government securities and securities of the Croatian National Bank with maturity periods of up to 90 day. (See Note 31)

(n) Funds managed on behalf of third parties

_____ The Bank manages funds on behalf of legal entities and charges fees for its services. These funds are not stated in the Bank's balance sheet.

(o) Fair values

_____ In accordance with the IAS, financial statements have been prepared on a historical cost basis, including adjustments and provisions that reduce assets to estimated recoverable amounts. The bank also discloses information about the fair value of its financial instruments. Fair value for this purpose is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an "arm's length transaction".

It is a policy of the Bank to disclose fair value information on those assets or liabilities for which the published market information is available, and where the fair value is materially different from recorded amounts. In the opinion of Bank's management, reported amounts are the most valid and useful values which can be reported under these circumstances, and represent their approximate fair value.

(p) Financial instruments with off-balance sheet risk

_____ Financial instruments include commitments to extend credit, financial guarantees, commercial letters of credit and forward foreign

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

exchange contracts. These instruments involve, to varying degrees, elements of credit and market risks in excess of the amounts recognized in the balance sheet.

Credit risk of off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument might fail to perform in accordance with the terms of the contract. The bank uses same credit policies for commitments and conditional obligations as it does for balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk represents possibility that the value of financial instruments will change, either positively or negatively, with changes in market prices, such as interest in foreign currencies.

The Bank requires collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but may include deposits with financial institutions, government securities, other marketable securities, inventory or property plant and equipment.

Commitments are contractual agreements to extend credit, which generally have fixed expiration dates or other termination requirements and may require payment of a fee. Substantially all of the Bank's commitments to extend credit are contingent upon the customers maintaining specific credit standards at the time of loan funding. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements.

Financial guarantees are conditional commitments issued by the bank to guarantee the performance of a customer to a third party. Credit risk involved in issuing guarantees is practically the same as in extending facilities to other customers.

A commercial letter of credit represents an extension of credit by the bank to its customer, where the customer is usually the buyer /importer of goods and the beneficiary is typically the seller/exporter.

Credit risk is limited because the merchandise shipped serves as collateral for the transaction.

(q) Reclassification

— In order to make entire comparability of figures, certain reclassifications of the financial data for the year 2001 have been made.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

3. Interest Income and Expenses

	2002	2001
Interest income		
Loans to citizens	196.877	148.926
Loans to corporate clients	182.428	158.710
State and other public sector	34.222	12.403
Croatian National Bank	17.203	20.340
Banks and other financial institutions	14.732	13.486
Other organizations	154	265
	445.616	354.130
Interest expenses		
Deposits from banks and other financial institutions		
- demand deposits	4.493	1.271
- time deposits	8.111	4.585
Deposits from corporate clients		
- demand deposits	5.142	5.608
- time deposits	19.980	8.879
Deposits from individuals		
- demand deposits	5.754	5.108
- time deposits	53.963	36.435
Frozen savings from citizens	896	1.260
Deposits from other financial institutions		
- demand deposits	215	380
- time deposits	487	488
Deposits from the public sector		
- demand deposits	128	157
- time deposits	99	115
Subordinated instruments	5.531	1.015
Other borrowed funds	75.325	67.789
	180.124	133.090

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

4. Net fee and commission income

	2002	2001
Fee and commission income		
Payment orders	76.854	35.693
Guarantees and letters of credit	9.218	10.568
Other fees and commissions	10.850	9.722
	96.922	55.983
Fees and commission expense		
Fees paid to financial institutions	21.727	16.233
Fees paid to Financial Agency (FINA)	35.532	5.322
Commission for postal services for private current account	1.481	1.117
Other fees and commissions	2.964	2.084
	61.704	24.756

5. Net foreign exchange gains

	2002	2001
Dealing profits	36.828	40.544
Translation gains	4.978	6.174
	41.806	46.718

6. Net income from securities

	2002	2001
Income from securities trading	18.645	1.976
Income from securities valuation	968	1.052
	19.613	3.028

7. Other operating income

	2002	2001
Expenses reimbursement	4.077	2.929
Income from leases	1.577	1.449
Income from the sales of assets held for sale	1.003	914
Dividend income	36	684
Income from sale of non-banking assets	154	146
Purchase of public debt	10	69
Other income	2.558	1.729
	9.415	7.920

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

8. General administrative expenses

	2002	2001
Employee related costs		
- Salary expenses and compensation - net	44.548	35.335
- Costs of contribution, taxes and surtaxes	41.886	31.564
- Compensation to employees	3.057	2.180
Materials and services	44.121	35.743
Marketing costs	21.926	12.842
Insurance premiums	11.106	7.013
	166.644	124.677

9. Other operating expenses

	2002	2001
Taxes and contributions	583	544
Cash receipts and distribution expenses	2.291	2.498
Supervisory board remuneration	652	844
Value adjustment for the assets held for sale	-	8.219
Provisions for pending legal disputes	73	428
Provisions for other liabilities	1.484	2.081
Other	519	2.209
	5.602	16.823

10. Income taxes

Reconciliation of the income tax charge is as follows:

	2002	2001
Profit before tax	112.830	93.737
Non-taxable income	(36)	(984)
Non deductible expenses	6.658	3.006
<i>Tax base</i>	<i>119.452</i>	<i>95.759</i>
Income tax	23.890	19.152

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

11. Cash and current accounts with banks

	2002		2001	
	HRK	Foreign currency	HRK	Foreign currency
Cash in hand	30.418	26.146	16.759	152.837
Items in the course of collection	185	998	90	507
Current accounts and amounts on demand with domestic banks	-	9.109	-	107.665
Current accounts and amounts on demand with foreign banks	-	8.427	-	19.165
Current account	348.800	-	146.746	-
	379.403	44.680	163.595	280.174
	424.083		443.769	

12. Balances with Croatian National Bank

	2002	2001
Obligatory reserve in HRK	199.133	120.692
Obligatory reserve in foreign currency	213.899	156.245
	413.032	276.937

_____ The Bank is required to maintain obligatory reserves in HRK and foreign currencies which as at 31 December 2002 represents 19% (31 December 2001: 19%) of the average balance of all deposits, loans received, issued subordinated and hybrid instruments apart from the liabilities to domestic banks, Croatian Bank for Reconstruction and Development and Croatian National Bank. 40% of the calculated reserves is required to be held at Croatian National Banks' accounts while the remainder is required to be held with non-resident banks or invested in treasury bills.

As at 31 December 2002 the interest rate on the obligatory reserve denominated in HRK was 1,75% (as at 31 December 2001; 2%) while the interest rate on the obligatory reserve in foreign currency was 2,82% (as at 31 December 2001; 3,29%).

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

13. Securities

The held to maturity financial assets and financial assets available for sale are shown in the following table:

	2002	2001
Assets available for sale		
Treasury Bills of the Ministry of Finance	487.581	93.632
Bonds of the Republic of Croatia in foreign currency	135.823	41.853
Bonds of the Republic of Croatia in HRK with currency clause	128.233	50.875
Bonds of the State Agency for Insurance of Saving Deposits and Rehabilitation of Banks (DAB)	55.515	3.624
Treasury bills issued by Croatian National Bank in HRK	29.988	99.795
Treasury bills issued by Croatian National Bank in foreign currency	-	156.698
Bonds of the Croatian Bank for Reconstruction and Development (HBOR)	21.750	-
Bonds of the Croatian Health Insurance Institute (HZZO)	10.273	4.225
Bonds of Belišće d.d.	405	-
Bills of exchange issued by companies and other investments	69.768	47.766
	939.336	498.468
Assets held to maturity		
Bonds of the State Agency for Insurance of Saving Deposits and Rehabilitation of Banks (DAB)	101.438	7.370
Bonds of the Republic of Croatia	53.962	36.855
Bills of exchange issued by the Ministry of Finance	-	6.076
Bonds of the Croatian Health Insurance Institute (HZZO)	26.048	25.795
Commercial Bills of Podravka d.d.	3.986	-
Commercial Bills of Pliva d.d.	12.844	-
Bonds of Plava laguna d.d.	2.304	-
Bonds of Belišće d.d.	5.210	-
	205.792	76.096
Provision - specific	(1.514)	(1.148)
	204.278	74.948
	1.143.614	573.416

_____ The Republic of Croatia guarantees for the repayment of HZZO, DAB and HBOR bonds.

Fair value of assets held to maturity as of 31 December 2002 amounts to HRK 223.021 thousand. Unamortized premium in amount of HRK 7.401 thousand is presented as other assets.

Securities available for sale include HRK 99.763 thousand of securities sold on repurchase.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

13. Securities (continued)

Changes in provisions

	2002	2001
Balance as at 1 January	1.148	929
New provisions	919	770
Collected	(551)	(551)
Other	(2)	
Balance as at 31 December	1.514	1.148

14. Due from other banks

	2002	2001
HRK denominated	44.614	68.456
Foreign currency denominated	619.341	308.804
	663.955	377.260
Provision - specific	(2.277)	(2.971)
	661.678	374.289

Geographical analysis

	2002	2001
Switzerland	167.318	36.335
Italy	129.822	2.783
The Netherlands	113.867	-
Croatia	82.783	81.139
Norway	68.103	-
Germany	57.019	100.137
Austria	2.096	155.883
Other countries	42.947	983
	663.955	377.260
Provisions - specific	(2.277)	(2.971)
	661.678	374.289

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

14. Due from other banks (continued)

Changes in provisions

	2002	2001
Balance as at 1 January	2.971	6.124
New provisions	41.536	37.169
Collected	(42.200)	(40.148)
Foreign exchange revaluation	(30)	(174)
Balance as at 31 December	2.277	2.971

15. Loans to customers

	2002	2001
Companies		
- in HRK	1.319.119	1.429.179
- in foreign currency	1.155.099	421.398
Public sector	16.960	15.197
Other organizations	3.301	3.219
Citizens	2.088.293	1.377.271
	4.582.772	3.246.264
Provision - specific	(325.488)	(294.358)
Provision - general	(84.796)	(54.240)
	4.172.488	2.897.666

Changes in provisions

	Specific	General
Balance as at 1 January 2001	281.064	19.525
New provisions	157.985	34.715
Collected	(132.447)	-
Written off	(6.106)	-
Foreign exchange revaluation	(6.138)	-
Balance as at 31 December 2001	294.358	54.240
New provisions	148.805	30.556
Collected	(112.209)	-
Written off	(7.849)	-
Foreign exchange revaluation	2.383	-
Balance as at 31 December 2002	325.488	84.796

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

15. Loans to customers (continued)

The concentration of the risk by industries within the customer's loan portfolio was as follows (in HRK thousands and percentage):

	2002		2001	
		%		%
Agriculture, hunting, forestry and fishery	93.260	2%	101.090	3%
Mining industry	5.118	0%	5.671	0%
Manufacture of food and beverages	144.216	3%	92.851	3%
Textile industry	39.535	1%	34.564	1%
Publishing and printing industry	60.078	1%	55.925	2%
Manufacture of chemicals and chemical products	20.175	1%	14.433	1%
Manufacture of other non-metal and mineral products	63.319	1%	44.980	1%
Manufacture of metal products, except of machinery and equipment	54.841	1%	38.876	1%
Manufacture of other transport vehicles	15.042	0%	599	0%
Other manufacturing industry	344.505	8%	288.622	9%
Electricity, gas and water supply	4.164	0%	4.821	0%
Construction industry	162.776	4%	132.306	4%
Retail and wholesale trade, repair of motor vehicles and home appliances	1.138.870	25%	821.234	25%
Hotels and restaurants	85.698	2%	36.039	1%
Transport, storage and connections	81.013	2%	57.234	2%
Real estate operations, leases and business services	110.821	2%	93.147	3%
Public administration and defence	19.942	0%	17.427	1%
Education	29.302	1%	15.302	1%
Health and social services	5.649	0%	5.829	0%
Personnel services and other service business	16.155	0%	8.043	0%
Citizens	2.088.293	46%	1.377.271	42%
	4.582.772	100%	3.246.264	100%
Provision	(410.284)		(348.598)	
	4.172.488		2.897.666	

16. Assets held for sale

	2002	2001
Balance as at 1 January	22.645	36.018
Assets acquired for receivables	4.732	26.649
Disposed assets	(6.524)	(31.803)
Provisions against assets held for sale	-	(8.219)
Balance as at 31 December	20.853	22.645

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

16. Assets held for sale (continued)

As at 31 December 2002 out of total assets held for sale, HRK 17.923 thousand relate to land and buildings (HRK 19.720 thousand at 31 December 2001) and HRK 2.930 thousand relate to other assets (HRK 2.925 thousand at 31 December 2001). Total assets were acquired in exchange for receivables.

17. Accrued interest and other assets

	2002	2001
Receivables from trading with foreign currencies	106.705	75.988
Interest receivable	31.928	21.943
Accrued interest receivable	18.829	16.587
Costs paid in advance	9.374	2.380
Receivables from card business	6.989	7.988
Receivables from fees and commissions	5.833	2.470
Trade receivables	3.755	13.172
Fair value of derivatives	1.302	-
Prepayment income tax	-	17.936
Other assets	13.589	9.148
	198.304	167.612
Provision - specific	(9.606)	(8.776)
	188.698	158.836

Changes in provisions

	2002	2001
Balance at 1 January	8.776	8.932
New provisions made	13.246	14.415
Amounts collected	(11.444)	(7.609)
Amounts written off	(972)	(6.964)
Foreign exchange revaluation	-	2
Balance as at 31 December	9.606	8.776

18. Amounts due from the Republic of Croatia

	2002	2001
Bonds of the Republic of Croatia for frozen foreign currency deposits	16.598	23.000
Bonds of the Republic of Croatia for payment in foreign currency for purchase of flats	233	242
Accrued interest	417	579
	17.248	23.821

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

18. Amounts due from the Republic of Croatia (continued)

Amounts due from the Republic of Croatia refer to foreign currency savings deposits of citizens, which had been deposited with the former National Bank of Yugoslavia. The National Bank of Yugoslavia froze these deposits on 27 April 1991. Upon the disintegration of the former Yugoslavia, the Croatian National Bank accepted the liability for these deposits and on 23 December 1991 deposits were converted to the national debt of the Republic of Croatia.

The amount due includes foreign exchange gains arising from restatement of amounts deposited and converted at the year-end rate. The amount due from the Republic of Croatia carries an annual interest rate of 5% and is payable in twenty semi-annual instalments starting with 30 June 1995.

19. Investment securities

Investment securities are financial assets available for sale and are analysed in the following table:

	2002	2001
Investments in subsidiaries and related companies	19	19
Investments in companies	855	800
Investments in financial institutions	10.289	8.143
	11.163	8.962
Provision- specific	(3.578)	(499)
	7.585	8.463

Changes of investment securities are analysed in the table below:

	Stakes in affiliated companies and subsidiaries	Other investments (less than 20%)	Total
Balance at 1 January 2001	7.715	4.456	12.171
New investments	-	4.000	4.000
Liquidation of Simba d.o.o.	(7.564)	-	(7.564)
Sale	(141)	-	(141)
Decrease of percentage of share in the company	(10)	10	-
Foreign exchange revaluation	-	(3)	(3)
Balance as at 31 December 2001	-	8.463	8.463
New investments	-	3.714	3.714
Sale	-	(1.514)	(1.514)
Decrease of the value of investment	-	(3.080)	(3.080)
Foreign exchange revaluation	-	2	2
Balance as at 31 December 2002	-	7.585	7.585

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

19. Investment securities (continued)

Changes in provision

	2002	2001
Balance at 1 January	499	499
New provisions made	3.080	-
Other	(1)	-
Balance as at 31 December	3.578	499

20. Property and equipment

	Land and buildings	Computers	Furniture and fittings	Motor vehicles	Assets in course of construction	Intangible assets	Total
<i>Historical and revalue cost</i>							
Balance as at 1 January 2002	88.974	43.151	26.142	3.519	10.334	16.075	188.195
Transfer to the current investments	13.996	45.642	8.144	189	(75.392)	7.421	-
Increase	-	-	-	-	74.541	-	74.541
Disposals	-	(5.347)	(978)	(684)	-	(3.738)	(10.747)
Balance as at 31 December 2002	102.970	83.446	33.308	3.024	9.483	19.758	251.989
<i>Depreciation</i>							
Balance as at 1 January 2002	11.826	22.799	11.517	2.569	-	8.751	57.462
Eliminated on disposals	-	(5.339)	(860)	(600)	-	(3.709)	(10.508)
Depreciation in 2002	2.833	9.643	2.711	414	-	3.043	18.644
Balance as at 31 December 2002	14.659	27.103	13.368	2.383	-	8.085	65.598
<i>Net Book Value</i>							
Balance as at 31 December 2002	88.311	56.343	19.940	641	9.483	11.673	186.391
<i>Net Book Value</i>							
Balance as at 31 December 2001	77.148	20.352	14.625	950	10.334	7.324	130.733

Completely written off property and equipment, which is still in use, has total purchase value of HRK 28.969 thousand.

Capital commitments

As at 31 December 2002 the Bank had 2.889 HRK thousand of contracted capital commitments, payment of which has been made in the year 2003.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

21. Due to other banks

	2002	2001
Demand deposits		
- in HRK	61.004	25.790
- in foreign currency	26.745	11.360
Term deposits		
- in HRK	266.834	93.026
- in foreign currency	99.802	36.902
	454.385	167.078

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

22. Due to customers

	2002	2001
Demand deposits		
Corporate clients		
- in HRK	540.706	422.986
- in foreign currency	156.312	152.248
Public sector		
- in HRK	24.572	17.379
- in foreign currency	63	63
Citizens		
- in HRK	187.539	111.614
- in foreign currency	366.218	425.002
Other organisations		
- in HRK	19.863	17.339
- in foreign currency	5.436	8.933
Total demand deposits	1.300.709	1.155.564
Term deposits		
Corporate clients		
- in HRK	563.654	306.998
- in foreign currency	280.657	80.187
Public sector		
- in HRK	17.212	9.982
Citizens		
- in HRK	364.652	141.930
- in foreign currency	1.186.445	1.036.488
Other organisations		
- in HRK	20.415	15.175
Total term deposits	2.433.035	1.590.760
Total due to customers	3.733.744	2.746.324

Term deposits include HRK 99.763 thousand funds received under repurchase agreements. Collateral for these deposits are securities available for sale shown in note 13 in the same amount.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

23. Frozen savings

	2002	2001
Frozen foreign currency deposits of citizens	15.678	22.068
Accrued interest	392	551
Total liabilities from frozen savings	16.070	22.619

Foreign currency deposits of citizens deposited before 27 April 1991 were frozen in accordance with the decision of the Government of Croatia. Upon the maturity the instalment of the national debt, a relevant part of the deposit is transferred to demand deposits. The interest rate on frozen savings is 5% per annum.

24. Other borrowed funds

	2002	2001
Domestic borrowings	75.595	58.101
Foreign borrowings		
- European Bank for Reconstruction and Development	233.266	107.956
- International Finance Corporation	235.447	107.200
- commercial banks	1.517.847	989.949
- other foreign borrowings	140	138
Total	2.062.295	1.263.344

25. Accrued interest

	2002	2001
Interest payable	1.286	1.663
Accrued interest and deferred income	47.628	35.072
Total	48.914	36.735

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

26. Other liabilities

	2002	2001
Liabilities for foreign currencies purchases	112.854	78.203
Prepayments received from lenders	48.247	39.613
Suppliers	13.684	10.243
Income taxes	8.226	10.162
Salaries	6.522	6.219
Liabilities from the employment contracts	3.787	2.303
Liabilities for insurance of savings deposits	2.301	1.757
Liabilities for credit card operations	2.073	1.346
Liabilities for advances received	1.206	375
Other taxes and contributions	395	543
Dividends from previous years	363	373
Other liabilities	2.923	2.546
	202.581	153.683

27. Provisions for contingencies

	Specific	General
Balance as at 1 January 2001	15.942	4.393
New provisions	13.255	3.190
Collected	(21.670)	(293)
Balance as at 31 December 2001	7.527	7.290
New provisions	9.039	2.393
Collected	(15.346)	-
Balance as at 31 December 2002	1.220	9.683
Total	10.903	

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

28. Subordinated instruments

During the year 1998 the bank issued bonds with the status of Tier 2 capital. The bonds were issued for the period of 8 years. They are not insured with the State Agency for the Insurance of Savings Deposits and can be used for the coverage of losses. Bonds are revalued at the EUR exchange rate and have a variable interest rate (linked with the tariff of the Bank), which was 6% per annum as at 31 December 2002 (31 December 2001: 6,5%). The Bank has issued 8.626 bonds, each carrying a value of EUR 156,45 at the middle exchange rate of the Croatian National Bank. In 2002 the bank received subordinated loan of EUR 20 million with the obligation of returning 50% of the total amount by 24.04.2011, and other 50% by 24.04.2012. Interest rate for this loan is EURIBOR + 1,5% and is paid semi-annually.

	2002	2001
Issued bonds	10.043	9.946
Borrowings	148.846	-
	158.889	9.946

29. Share capital

The Bank's share capital comprises 61.801 ordinary shares with the nominal value of 4.400 HRK each.

Shareholders of the bank as at 31 December are as follows:

	SHARE			
	2002		2001	
	Shareholding	No. of shares	Shareholding	No. of shares
Erste Bank der Oesterreichischen Sparkassen AG, Wien	41,57%	25.692	41,44%	25.609
Steiermärkische Bank und Sparkassen AG, Graz	41,20%	25.464	41,07%	25.380
Other shareholders	17,23%	10.645	17,49%	10.812
Total	100,00%	61.801	100,00%	61.801

Member of the Board Borislav Centner at 31. December 2002. owed 84 shares (0,14%), and Dragutin Bohuš owed 25 shares (0,04%). Earnings per share have been calculated at net profit for the year attributable to shareholders divided by weighted average number of shares outstanding during the year.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

30. Commitments and contingencies

The aggregate amounts of outstanding guarantees, letters of credit and other commitments at the end of the year were:

	2002	2001
HRK guarantees		
- short-term	70.780	110.906
- long-term	47.902	22.475
Foreign guarantees	111.506	109.655
Performance guarantees	102.858	61.497
Foreign currency letters of credit		
- short-term	53.978	40.432
- long-term	-	414
Guaranteed and accepted bills of exchange	17.372	10.887
Commitments to lend	307.969	163.384
Amounts owed resulting from repurchase agreement	119.690	-
Other contingencies	-	35.440
	832.055	555.090

_____ Commitments to lend are related to approved overdrafts on current and giro accounts as well as on agreed loan liabilities by which all agreed conditions have not yet been fulfilled, but they are expected to be fulfilled within 180 days.

31. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include the following balances:

	2002	2001
Cash and instruments in course of collection	57.747	170.193
Current accounts in Croatia and abroad	366.336	273.576
Placements to banks with the remaining maturity of up to 3 months	630.810	346.887
Treasury bills with the remaining period of up to 3 months	29.988	274.395
	1.084.881	1.065.051

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

32. Funds managed on behalf of third parties

The Bank manages funds on behalf of third parties.

	2002	2001
Companies	114.827	17.245
Other legal entities	198	204
Citizens	109.120	8.086
Less: assets	(224.015)	(24.436)
Funds in transit	130	1.099

_____ The Bank manages funds on behalf of legal entities that were placed as loans to companies and citizens. These funds are accounted for separately from the Bank's assets. Income and expense arising from these funds are credited to corresponding sources. The Bank has no risk arising from these transactions. The Bank is compensated for its services through service fees.

33. Related party transactions

_____ From the parties related to the Bank, the most significant transactions in the course of everyday operations are performed with the Bank's biggest shareholders Erste Bank, Vienna (shareholder with the share of 41,57%) and Steiermärkische Bank, Graz (shareholder with the share of 41,20%) as follows:

Transaction

	2002	2001
Balance of deposits given as at 31 December	472	152.908
Balance of taken deposits and loans as at 31 December	910.760	564.384

_____ As at 31 December 2001 the Bank placed a deposit with Erste Bank, Vienna as a collateral for EUR bills received in the year 2001.

Interest rates on loans and deposits received from Erste Bank, Vienna and Steiermärkische Bank, Graz are in accordance to the prevailing market rates.

Apart from the transactions stated above, the Bank had transactions with related parties in the form of loans to its employees. As at 31 December 2002, these loans amounted to HRK 50.733 thousand (31. December 2001: HRK 1.022 thousand). The interest rate on loans to employees is in accordance with the market conditions.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

34. Fair values of financial assets and liabilities

_____ Fair value represents an amount where the funds can be exchanged or liabilities settled in the best interest of all parties. As market prices for the major part of financial assets and liabilities of the Bank are not available, the fair value of these items is based on the estimation of the management board according to the type of assets and liabilities. According to the estimation of the management board, the market values are not materially different than the book value of all categories of assets and liabilities. As substantial portion of loans granted and deposits received has variable interest rate, their fair values approximates book values.

35. Interest rate risk

Interest sensitivity of assets and liabilities

_____ The Bank is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by earlier of contractual repricing or maturity dates.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

35. Interest rate risk (continued)

Balance as at 31 December 2002

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without interest	Total
Assets							
Cash and current accounts with banks	310.158	-	-	-	-	113.925	424.083
Balances with Croatian National Bank	413.032	-	-	-	-	-	413.032
Securities	76.907	16.155	555.988	191.659	300.051	2.854	1.143.614
Due from other banks	651.189	3.463	1.317	3.513	2.176	20	661.678
Loans to customers	4.087.633	4.913	24.140	28.536	27.266	-	4.172.488
Assets held for sale	-	-	-	-	-	20.853	20.853
Accrued interest and other assets	18.829	-	31.928	-	-	137.941	188.698
Amounts due from the Republic of Croatia	3.913	-	3.334	10.001	-	-	17.248
Equity investments	-	-	-	-	-	7.585	7.585
Property and equipment	-	-	-	-	-	186.391	186.391
Total assets	5.561.661	24.531	616.707	233.709	329.493	469.569	7.235.670
Liabilities							
Due to other banks	369.397	45.238	9.840	6.245	10.422	13.243	454.385
Due to customers							
- Demand deposits	1.300.709	-	-	-	-	-	1.300.709
- Time deposits	1.790.340	234.233	181.566	21.536	33.924	171.436	2.433.035
Frozen savings	3.523	-	6.260	6.287	-	-	16.070
Other borrowed funds	332.845	743.317	922.384	22.080	41.669	-	2.062.295
Accrued interest	1.286	-	-	-	-	47.628	48.914
Other liabilities	-	-	-	-	-	202.581	202.581
Provisions for contingencies	-	-	-	-	-	10.903	10.903
Subordinated instruments	10.043	-	148.846	-	-	-	158.889
Total liabilities	3.808.143	1.022.788	1.268.896	56.148	86.015	445.791	6.687.781
Shareholders' equity	-	-	-	-	-	547.889	547.889
Total equity and liabilities	3.808.143	1.022.788	1.268.896	56.148	86.015	993.680	7.235.670
Interest rate risk	1.753.518	(998.257)	(652.189)	177.561	243.478	(524.111)	-

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

35. Interest rate risk (continued)

_____ The average balance of the interest bearing assets and liabilities has been calculated as average of balances at the end of each month during 2002 is shown in the table below. The average interest rates represent the effective average yield on the financial instruments for the reporting period.

	Average balance	Average interest rate
Cash and current accounts with banks	220.917	1,0%
Balances with Croatian National Bank	345.913	3,0%
Securities	710.752	5,8%
Due from other banks	511.706	2,9%
Loans to customers	3.498.753	10,7%
Amounts due from the Republic of Croatia	19.648	5,0%
	5.307.689	8,4%
Due to other banks	253.574	2,1%
Due to customers	3.117.608	3,0%
Frozen savings	17.803	5,0%
Other borrowed funds	1.396.966	5,4%
Subordinated instruments	103.239	5,4%
	4.889.190	3,7%

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

36. Currency risk

Concentration of assets and liabilities

Foreign currency assets and liabilities are analysed in the table below. The items in HRK with foreign currency clause are stated under the foreign currency for which they are bound.

Balance as at 31 December 2002

	EUR	USD	Other foreign currency	Total foreign currency	HRK	Total
Assets						
Cash and current accounts with banks	31.060	5.935	7.684	44.679	379.404	424.083
Balances with Croatian National Bank	213.899	-	-	213.899	199.133	413.032
Securities	525.814	15.687	-	541.501	602.113	1.143.614
Due from other banks	482.756	93.252	59.324	635.332	26.346	661.678
Loans to customers	3.473.040	25.663	2.701	3.501.404	671.084	4.172.488
Assets held for sale	-	-	-	-	20.853	20.853
Accrued interest and other assets	108.234	22.857	23	131.114	57.584	188.698
Amounts due from the Republic of Croatia	17.248	-	-	17.248	-	17.248
Equity investments	109	-	-	109	7.476	7.585
Property and equipment	-	-	-	-	186.391	186.391
Total assets	4.852.160	163.394	69.732	5.085.286	2.150.384	7.235.670
Liabilities						
Due to other banks	337.039	22.208	6.887	366.134	88.251	454.385
Due to customers						
- Demand deposits	468.786	50.142	22.046	540.974	759.735	1.300.709
- Time deposits	1.803.425	96.665	34.786	1.934.876	498.159	2.433.035
Frozen savings	13.933	876	1.261	16.070	-	16.070
Other borrowed funds	1.987.863	-	-	1.987.863	74.432	2.062.295
Accrued interest	41.562	1.256	420	43.238	5.676	48.914
Other liabilities	93.631	216	12	93.859	108.722	202.581
Provisions for contingencies	-	-	-	-	10.903	10.903
Subordinated instruments	158.889	-	-	158.889	-	158.889
Total liabilities	4.905.128	171.363	65.412	5.141.903	1.545.878	6.687.781
Shareholders' equity	-	-	-	-	547.889	547.889
Total equity and liabilities	4.905.128	171.363	65.412	5.141.903	2.093.767	7.235.670
Net foreign exchange position	(52.968)	(7.969)	4.320	(56.617)	56.617	-

Significant share of Euro as well as of currency clause connected to Euro is common for Croatian banks concerning economic orientation of the Republic of Croatia toward European Union members.

Notes to Financial Statements

For the year ended 31 December 2002 (all amounts expressed in HRK thousand)

37. Liquidity risk

Securities available for sale are categorised according to their secondary liquidity in the category up to 1 month. Their residual maturity is from 1 month to over 3 years.

Balance as at 31 December 2002

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Assets						
Cash and current accounts with banks	424.083	-	-	-	-	424.083
Balances with Croatian National Bank	413.032	-	-	-	-	413.032
Securities	950.165	1.990	23.009	111.634	56.816	1.143.614
Due from other banks	634.881	921	6.277	8.599	11.000	661.678
Loans to customers	687.368	202.313	815.847	1.203.523	1.263.437	4.172.488
Assets held for sale	-	-	-	20.853	-	20.853
Accrued interest and other assets	144.786	31.928	2.383	1.920	7.681	188.698
Amounts due from the Republic of Croatia	3.913	-	3.334	10.001	-	17.248
Equity investments	-	-	-	-	7.585	7.585
Property and equipment	-	-	-	-	186.391	186.391
Total assets	3.258.228	237.152	850.850	1.356.530	1.532.910	7.235.670
Liabilities						
Due to other banks	155.292	46.439	232.140	3.720	16.794	454.385
Due to customers						
- Demand deposits	1.300.709	-	-	-	-	1.300.709
- Time deposits	703.897	656.330	714.238	126.299	232.271	2.433.035
Frozen savings	3.523	-	6.260	6.287	-	16.070
Other borrowed funds	10.709	59.841	102.228	617.198	1.272.319	2.062.295
Accrued interest	1.286	47.628	-	-	-	48.914
Other liabilities	189.362	13.219	-	-	-	202.581
Provisions for contingencies	-	-	-	-	10.903	10.903
Subordinated instruments	-	-	-	-	158.889	158.889
Total liabilities	2.364.778	823.457	1.054.866	753.504	1.691.176	6.687.781
Shareholders' equity	-	-	-	-	547.889	547.889
Total equity and liabilities	2.364.778	823.457	1.054.866	753.504	2.239.065	7.235.670
Net assets/liabilities	893.450	(586.305)	(204.016)	603.026	(706.155)	-

38. Events after the Balance Sheet date

Management Board in the meeting on 12 December 2002 reached a decision to merge into Riječka banka d.d., Rijeka. The merger process is planned to be finished in the second half of 2003.