

A n n u a l
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Financial Highlights and Some Business Indicators

In SIT thousands

A BALANCE SHEET	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000
Total assets	87,964,885	73,793,316	58,884,478
Deposits from customers	75,008,406	58,987,319	45,764,788
- legal persons	21,217,332	16,004,093	12,671,774
- individuals	53,791,074	42,983,226	33,093,014
Loans to customers	30,207,789	27,138,669	24,432,516
- legal persons	21,580,192	18,703,702	16,212,336
- individuals	8,627,597	8,434,968	8,220,180
Average retail deposits	50,006,683	35,680,935	28,656,020
Average retail loans	9,604,715	9,368,840	8,968,285
Capital	2,767,184	2,693,174	2,469,398
Provisions	4,176,607	2,872,900	2,308,875
B OFF-BALANCE SHEET ITEMS	10,322,059	7,130,425	4,179,988
C PROFIT AND LOSS ACCOUNT			
Net interest	2,810,780	2,672,843	2,339,380
Net non-interest income	928,600	815,789	652,094
General administrative expenses	2,454,229	2,359,520	2,116,621
Depreciation	482,425	394,507	294,926
Net provisions	(621,053)	(609,550)	(472,658)
Profit before tax	159,141	108,439	95,653
Tax on profit	22,694	0	0
Other taxes from profit	56,876	54,220	47,826
D NUMBER OF EMPLOYEES	211	216	209
E SHARES			
Number of shareholders	2	1	1
Number of shares	275,750	275,750	274,500
Nominal value per share (in tolar)	4,000	4,000	4,000
Book value per share (in tolar)	10,035	9,767	8,996
F MAJOR INDICATORS			
a Capital			
Capital (in thousands of tolar)	3,724,529	3,490,168	3,468,178
Weighted doubtful assets (in thousands of tolar)	34,780,301	31,213,664	25,611,643
Capital adequacy	10.71	11.18	13.54
b Quality of assets			
Doubtful and bad receivables / total assets	9.37	8.95	8.65
Provisions for off-balance sheet items + suspended income / total assets	4.36	4.46	4.31
Provisions for off-balance sheet items + suspended income / bad and doubtful receivables	42.36	45.03	43.69
c Profitability			
Interest margin	3.62	4.56	4.71
Return on assets (ROA)	0.19	0.17	0.18
Return on equity before tax	5.91	4.25	4.14
Return on equity after tax	2.96	2.12	2.07
d Operating costs			
Operating costs / total assets	3.51	4.30	4.48
e Liquidity			
Liquid assets / sources of funds repayable on demand	119.71	124.71	108.65
Secondary liquidity / sources of funds repayable on demand	129.68	120.67	95.44

Statement By the Board of Directors



President of the Board of Directors:

Viktor Lenče

Member of the Board of Directors:

Jožica Capuder, M. Sc.

As in many previous years, the financial year 2002 was again very successful and very important for Poštna banka Slovenije, d. d. (the Post Office Bank of Slovenia). Through a good performance we managed to realise our set business goals and even exceed planned volume of operations and planned business result.

We are glad that in addition to the attained business results we also managed to make a great step forward in development of service offering for our customers; we are successfully collaborating in

inter-bank projects of payment transaction systems and successfully realizing the goals we have set in the field of rationalization and support of business operations.

The most important element in the development of Poštna banka Slovenije is still the possibility of performing retail banking for legal persons and individuals through the widespread network of post office units throughout Slovenia. This is enabled through the long-term contract with Pošta Slovenije, d. o. o. (the Post Office of Slovenia), which was until September 2002 a 100% shareholder of Poštna banka Slovenije. By transferring a capital share of 62% and additionally paid-in capital, Pošta Slovenije is now a 45% shareholder, while the Republic of Slovenia owns 55% of shares.

In 2002 the Bank enlarged the volume of operations by 19%, which is 3% more than planned and above the average growth of Slovene banks. Measured by this indicator, market share of Poštna banka Slovenije is 1.9%. In the area of collected primary resources (deposits from customers) the bank grew by 27% and increased its market share from 2.1% to 2.4%. Deposits of private individuals represent two thirds of these deposits and represent a 2.5% market share. Increase of deposits from customers, both legal persons and individuals, demonstrates confidence that these clients have in the Bank. Loans to customers increased in 2002 to 11% (loans to legal persons by 16%), while deposits in securities increased by 48% (mostly in securities of the government and the Central Bank, which is adjusted to the maturity of the received funds).

The Bank increased its net margins in 2002 by 33% and exceeded the plan by 25%. By that it decreased the dependence on interest income and thus improved the structure of its income. General administrative expenses increased by 4% (which is less than was planned). With provisions above plan, net profit is 79 million tolar (in previous year it was 54 million tolar).

In 2002, the Bank increased total assets per employee from 342 to 417 million tolar. The number of employees decreased in 2002 from 216 to 211.

Indicator of operating expenses per average level of assets decreased from 4.30% in 2001 to 3.47% in 2002, which is also a result of rationalisation of costs program.

As far as payment transactions are considered, Poštna Banka Slovenije achieves approximately 50% market share in general deposit orders and approximately 70% in special deposit orders. Capital adequacy of the Bank is 10.7% as at the end of 2002.

By these positive business results and its recognition the Bank is suitably positioned on the Slovene market, which gives it a very good starting-point for future growth and development.

In 2003, the Bank is again planning to increase its total assets and achieve a positive financial result. Cooperation with Pošta Slovenije as its 45% shareholder and strategic business partner will be also very active in 2003 as we are both very interested in good business results that enable further development of the Bank and an increase in volume of transactions over the postal network.

For the year 2003, it is important to ensure sufficient capital adequacy of the Bank for its growth and long-term development and a common effort on building the technology and computer support of all new banking products that are performed through the postal network.

The Bank is planning several business activities in 2003 to achieve its development goals: giro account for individuals, electronic banking for individuals and for foreign currency payment transactions for legal persons, issue of a certificate of deposit, new forms of saving for individuals, new forms of combined products with an insurance company and with interested mutual funds, and an extension of foreign currency transactions for legal persons. In cooperation with Pošta Slovenije we intend to develop specialized bank windows in post office units, where we would develop more demanding bank services for customers. We would also educate postal workers that market and execute banking services for customers together and cooperate in the area of technology and support of business processes with the goal of optimisation and rationalization of systems in the Bank and in Pošta Slovenije.

The bank will therefore continue to execute outlined strategy in 2003, according to the adopted yearly plan. Thus it will ensure constant growth and development of the Bank and perform services in the entire territory of Slovenia, as it has done all the years until now. It will support business processes with information technology in such quantity and quality to suffice legal requirements, while preferred solutions will be rational, yet adequate for business performance. In 2003 the Bank will constantly search for optimal solutions of information systems of the Bank and the Post when considering performing services in postal office units.

By realization of planned marketing activities, development of new products, and improvement of business processes support, the Bank will achieve solid foundation for the future growth in volume of operations and for an increase of relative share of non-interest income. With decreasing costs it will increase profitability.

For all the results achieved by Poštna banka Slovenije our thanks go to the employees, especially to the top management team and those who trust knowledge and professional experiences and are active in pursuing economic goals of the Bank and strengthening of the brand. We believe that through a positive attitude and mutual trust we will attain the high-set development goals of the Bank.

The satisfaction of our customers, shareholders, especially Pošta Slovenije as business partner in performing banking services, other business partners, and employees at Poštna Banka Slovenije will provide a great incentive to the board of Directors for their future management.

Member of the
Board of Directors:
Jožica Capuder, M. Sc.



President of the
Board of Directors:
Viktor Lenče



Statement By the Supervisory Board

The Supervisory Board was from 1 January 2002 to 6 February 2002 constituted of Alfonz Podgorelec, M. Sc., Jože Fošt, Jože Strelec, Ljubo Renko, Štefan Zidanšek, Ivan Hrnčič in Milan Venek. The Assembly of the Bank released Ljubo Renko and Štefan Zidanšek on 6 February 2002 and appointed Ignac Rupnik and Igor Hudin in their place.

The fundamental assignment of the Supervisory Board was to supervise and manage operations of the Board of Directors and the Bank, whereas supervision was carried out accordingly to legal and statutory authorizations.

In the previous year the Supervisory Board discussed and monitored implementation of business policy and current results of the Bank's operations. This was done with the help of quarterly and other reports as well as the Annual report of the Board of Directors. That way the Supervisory Board discussed the following major issues:

- Business policy of the Bank
- Business results
- Work of internal audit department
- Business results by external certified institutions
- Suggestions of the Board of Directors for the annual assembly meeting
- Loan propositions that exceed 10% of the warranty capital
- Credit portfolio of the Bank
- Release and appointment of the president of the Board of Directors
- Issue of approvals for exposure of persons in a specific relationship with the Bank.

On the basis of stipulations of the Law on Commercial Companies, amended in 2002, the Supervisory Board examined and approved all materials for 2001, subjected to decisions of the Assembly. The Board also discussed and approved the report on the work of internal audit department in 2001, additionally paid-in capital with the issue of new shares, distribution of not distributed current year profit and prior years profits, and other issues.

The Supervisory Board reviewed and approved business policy trends and financial plan for the year 2002 and by that identified the Bank's business activities and operations in 2002. In its sessions, the Board discussed current operations and results of the Bank's operations on the basis

of quarterly reports and financial data about the Bank's operations and about the implementation on rationalization of operations.

At the same time as reviewing quarterly reports of the Board of Directors on the Bank's operations, the Supervisory Board was diligently reviewing reports of internal audit department on internal auditing in the Bank, from which findings and recommendations for individual area of the Bank's operations were evident. The Board also discussed the Annual report on internal auditing for 2002 and approved the program of internal audit for 2002.

According to mandates and responsibilities that are assigned to the Supervisory Board by the Law on Banking, the Supervisory Board examined findings of supervisory and inspection authorities and correspondent reports of the Board of Directors. To the proposal of the Board of Directors, the Supervisory Board issued approvals for large exposures towards individual customers, according to the Article 81 of the Law on Banking and approvals for exposures to persons in a special relationship with the Bank. The Supervisory Board also determined net indebtedness of members of the Supervisory Board and of persons, related to them and discussed other issues, according to the Law on Banking.

The Supervisory Board discussed reports of the Board of Directors, special reports imposed by the Supervisory Board, and examined the work of members of the Board of Directors. On the basis of these findings, the Supervisory Board then changed the constitution of the Board of Directors by releasing and appointing individual members of the Board of Directors.

At the 41st session on 26 May 2003, the Supervisory Board in the presence of the auditors discussed the audited annual report of Poštna banka Slovenije for the year 2002 and the opinion of audit company Deloitte & Touche revizija, d. o. o., Ljubljana on the annual report for 2002. The audit company concludes that financial statements of Poštna banka Slovenije in all aspects truly and fairly represent the financial state of the Bank as at 31 December 2002.

The Supervisory Board concludes from auditor's opinion of Deloitte & Touche revizija that the Bank's operations in 2002 were in agreement with the regulations. The Board of Directors therefore managed the Bank properly and the Supervisory Board has no substantial comments to the audited annual report of the Bank.

President of the Supervisory Board

Marija Milojka Kolar Celarc

Review of the Bank's Operations

1. General

Economic

Environment

Factors of economic environment in the year 2002:

- Association agreement with EU, effective since 1999, demanded additional market liberalization in Slovenia in the direction of free flow of goods, services and, above all, capital. The agreement accelerated changes of banking legislation in the direction of adaptation to European legislation in both, tolar- and foreign-currency area.
- Retail prices increased by 7.8%, consumer price index by 7.2%, and TOM (basic interest rate) by 7.7%. The latter is calculated as 12-month average of growth of CPI and was therefore influenced by bigger increases in the second half of the year, caused by the introduction of VAT. Middle exchange rate of EUR increased by 4% in the whole year. On 31 December 2002 the exchange rate of EUR was 230.2673 SIT.

New changes and specifics in the year of 2002 for banking activities are:

- Amendments and Additions to The Law on banking that bring gradual adaptations to European regulations were implemented. Among other things, new Regulations were adopted: Regulation on Books of Account and Annual Reports of Banks and Savings Banks; Regulation on the Classification of On-Balance Sheet Assets and Off-Balance Sheet Items of Banks and Savings Banks; Regulation on Establishing Specific Provisions of Banks and Savings Banks; Regulation on Large Exposure of Banks and Savings Banks; Regulation on Capital Adequacy of Banks and Savings Banks; Regulation on Obligatory Provisions; Regulation on Liquidity Ratios. Also the accompanying instructions that specify content, form and way of reporting for banks and savings banks were renewed.
- Amendments of Regulations were made on the basis of Amendments to The Law on Commercial Companies and the new Slovenian Accounting Standards, adopted at the end of 2001.
- Payment transactions administration was transferred from the Agency for Payment Transactions to banks at the end of June 2002.
- Interest margin decreased compared to the year before so that the trend of decreasing is further continuing.

2. Business

Directions of the Bank

In 2001 and 2002, the bank followed its basic orientations, defined by the adopted global strategy of bank's development, setting out:

- The Bank's growth by increasing total assets and by that also increasing the market share that is measured by total assets;
- The Bank's development by introducing new products and complementing existing services for customers;
- Development of commercial network and infrastructure and marketing banking services together with Pošta Slovenije as a strategic business partner. This cooperation is aimed at achieving maximum synergy on the market;
- Achieving adequate positive business result;
- Operating on the market as an universal commercial bank offering a full range of services, which requires establishment of new services (foreign currency payment transactions for legal persons, electronic banking for individuals, new forms of saving, etc.)
- Utilisation of the Bank's advantages, which, on account of its widespread postal network, are mainly its easy accessibility for the customer, with regard both to territory and to time;
- Preserving and improving the image and reputation of the Bank, acting in the interest of and to the satisfaction of the customers, shareholders, and employees;
- Selection of the most suitable and efficient sales channels for different types of customers and products;
- Further establishment of information system according to the Bank's needs and environmental demands;
- Inclusion of the Bank into integrated system of payment transactions;
- Further establishment of controlling function;
- Managing the Bank's assets and liabilities in such a way that the Bank will on one hand meet all the requirements of the regulatory body – the Bank of Slovenia, and on the other hand attain an optimum ratio between risk management and profitability (measured in higher total assets and higher profit);
- Continuing with the implementation of security policy;
- Performing a program of rationalization of business operations.

In 2002, the Bank realized planned goals and achieved adequate growth of total assets, acceptable gross profit and improved cost efficiency. The Bank continued to modernize information system of the Bank and its security policy.

It's not what you do,
it's how you do it.



3. The Bank's Operations

3.1. Operations With Legal Persons

Operations with legal persons in 2002 was performed according to the strategy of Poštna banka Slovenije, which was reflected in the development and growth of the Bank. Marketing activities included active, passive, and neutral banking operations that were realized on the basis of analyses and forecast for each specific area.

Continuation of territorial principle and functioning of two Corporate Banking Divisions in Ljubljana and Maribor and branch offices in Murska Sobota, Celje, and Kranj, enables the Bank to gain new customers on the side of deposits as well as on the side of loans.

In 2002, the majority of the Bank's activities in this area were directed towards the cooperation with small and middle-sized companies and some big enterprises. The purpose of these actions was to keep existent clients and gain new ones. The latter is getting increasingly difficult because of the high level of competition in the Slovene market.

Despite that, the Bank has increased the volume of its operations, while being attentive to the safety of investments as well as to limiting and decreasing the volume of operations with certain clients. This was achieved with regular monitoring of clients' ratings and analyses. The Bank has also been tracing developments on Slovene, as well as on the European and global market, monitoring interest rates and other elements that a bank should be especially attentive to.

In 2002, the Bank cooperated with 809 customers, with whom it concluded 1297 credit and guarantee deals, approved 77 credit lines on the principle of current account and conducted several factoring and other banking operations. Investments increased by 3.8 billions of tolar to 25.9 billions of tolar in 2002.

The Bank has directed great attention in 2002 towards opening giro accounts for its existing as well as new customers. Altogether, 2001 giro accounts were opened.

To gain more favourable and long-term sources of funds for its customers, the Bank has cooperated also with other institutions in Slovenia, for example Slovenska izvozna družba (Slovene export company) and different government funds.

3.2. Operations With Individuals

In the area of operations with individuals, the bank continued to increase its volume of operations in 2002, mostly in the field of collecting funds. Different actions of direct and indirect marketing were aimed at winning new customers.

The existing offer was supplemented with on-line transactions at post-office units, while at the same time new services were developed and offered in the area of operations with individuals, for example pension savings and long-term loans.

According to legal requirements, we adjusted the method of calculating the interest for short-term deals. We also prepared for the migration of individual customers' accounts to personal (giro) accounts.

In 2002 the Bank continued to increase its volume of non-cash operations with card products. At the end of the year it began to issue internationally valid cards - Activa maestro.

In the last year, the Bank has again offered savings based on Nacionalna stanovanjska varčevalna shema (National Housing Saving Scheme).

In the Retail Banking Department, there were some improvements made with the intention to rationalise operations.

Collected funds of individuals grew again in the last year. Nominal value of funds of individuals at the end of 2002 was almost 54 billions of tolar, that is 25% more than at the end of 2001. This growth represents a 4-percentage points higher growth than that of the average of Slovene banking system. Collected tolar funds of individuals in the Bank account for 4.65% of the total collected tolar funds in Slovenia.

The number of savings deposits increased by 3.2% from the previous year. The value of collected funds, however, increased by 16%. Market share of the Bank in the funds of all the banks on savings deposits has increased from 11.8% to 14.9%.

Measured by number of contracts, the volume of different forms of saving increased by 25%, while in value this increase is 36%, which is quite higher than the Slovene average (25%).

The number of active current accounts increased by 4.3% in 2002.

The number of debit cards increased by 10% with 5,000 debit cards issued in 2002.

Because of the high indebtedness of the population in Slovenia, loans to the individuals in 2002 increased by only 2%, of that drawn credit lines by 9%, and commercial loans by less than 1%.

In currency exchange operations, physical volume increased by 10%, while value increased by 30%.

In 2002, the Bank continued to perform marketing activities with an intention of winning new customers.

In the area of information support for operations with individuals, the Bank also in the last year rationalized and shortened certain computer aided procedures, strengthened controls in the work process, performed several adjustments according to legal requirements and at the same time implemented an adequate application support for new services.

3.3. Provision Forming Policy

The bank continued with a restrictive policy at verifying the quality of portfolio of loans.

In 2002, the Bank assumed 133 doubtful receivables (131 debtors) from the whole portfolio of legal persons and individuals for further recovery, which is 36 doubtful receivables more than in 2001. On the basis of integral judgement, the bank decided on a suitable measure for each specific case so that 38 cases are in the phase of plaint, 34 cases in the phase of real execution, and 21 cases in the phase of execution on accounts and property. In 19 cases, the Bank reported the receivables for bankruptcy and in 8 cases for involuntary liquidations.

In the area of operations with individuals, there was 105.878 thousand tolar or 517 accounts in doubtful deposits, whereas 189 cases of 24.178 thousand of tolar were transferred in 2002. 9.382 thousands of tolar worth of payments were made in 2002.

In the Retail Banking Department, provisions are formed in the area of loans, as well as in the area of accounts operations (personal accounts, current accounts, giro accounts, savings deposits). The Bank classifies receivables in groups from A to E, based on the maturity of receivables (according to the Regulation of Bank of Slovenia). Accordingly to the classification, adequate provisions are formed.

3.4. Treasury

The Bank performed its primary function of levelling liquidity according to its adopted liquidity policy. Execution of this policy is supervised daily by a liquidity commission of the bank; monthly by the Assets and Liabilities Committee; and by other boards of the bank, as needed.

The Bank modernized the method of tracing tolar cash flows with its own program solution within payment transactions for operational levelling of daily liquidity of the bank. This enables it to more accurately trace variances and more precisely determine the closing of daily positions of cash flows.

In the middle of 2002, the Bank began to perform foreign exchange payment transactions for legal persons. Because of that, the Treasury Department began with planning and controlling foreign exchange cash flows and their balancing. The Bank cooperated at the Bank of Slovenia's bids for current sale of foreign exchange, which enabled it to participate in auctions of 270- and 360- days cash certificates of Bank of Slovenia.

The Bank had 3 series of bonds issued as at December 31st 2002. PBS 2 has a characteristic of subordinated security and is due on June 20th 2007, while PBS 3 is due on October 12th 2005. Bonds PBS 2 in PBS 3 were listed to quotation at the end of December 2002. Characteristics of the fourth emission of bonds PBS 4 are as follows: nominal value of the emission is 2,500,000,000.00 tolar and is divided into 25,000 blocks with a nominal value of 100,000.00 SIT. The bond is due on December 14th, 2006.

On 30 September 2002, the Bank divided its portfolio of securities into those that are held for dealing purposes and those that are not. Before that date all of its securities were presented as securities held for dealing purposes. The Bank is holding most of its securities and therefore investing into securities of Bank of Slovenia and of the Republic of Slovenia, which it does not sell before maturity.

While pursuing the goal of maximum profitability of safe investments, the Bank was increasingly buying 270-day cash certificates. Investments into cash certificates increased by 201% in 2002, but at the same time the level of investments into government securities decreased by 47%.

First class securities (issued by the Bank of Slovenia and the Republic of Slovenia) represent 97% of the Bank's portfolio of securities. Securities account for 53% of the Bank's assets.

Groups of securities as at 31 Dec. 2001 and 2002:			In SIT million
Type	2001	2002	Index
Cash certificates of the Bank of Slovenia	12,001	36,099	301
Government securities*	17,967	9,480	53
Shares	1,374	993	72
Non-government bonds	310	323	104
TOTAL	31,652	46,895	148

* Government securities represent bonds and treasury bonds issued by the Republic of Slovenia.

The Bank invests mostly into securities denominated in tolar. In order to fulfil the required structure of foreign exchange liquid investments the Bank invests a part of its funds into foreign currency cash certificates, denominated in EUR.

3.5. Payment Transactions

Payment transactions for legal persons

In 2002, the Bank followed the Act on payment transaction systems reform and was - according to plans - taking over the legal persons' accounts from the Agency for Payment Transactions. At the same time, the Bank was actively involved in gaining new customers and was also opening giro accounts. Similar activities were performed for the individuals that also needed to open personal giro accounts until 30 June 2002. Consequently the Bank had as at 31 December 2002 opened:

- 700 giro accounts of legal persons
- 1301 giro accounts of sole proprietorships, associations and civilian legal persons.

Out of all the customers for whom the Bank administers giro accounts, 1,345 perform payment transactions on 480 post-office units. 553 customers (503 legal persons and 50 sole proprietorships) perform their payment transactions electronically through "POSLOVNI PBSPika NET".

In 2002 the Bank acquired new application support for payment transactions and by that unified the procedures in this area. It also worked intensively on obtaining new support for giro accounts for legal persons.

Payment transactions for individuals

In 2002, the Bank continued with the activities, connected with transactions clearing, performed at post-office units. In general, post-office units and commercial centres performed by 4% more transactions than in the previous year (altogether 43.6 million transactions) or transacted 47% larger value (altogether a value of 1,823,727 millions of tolar). Primary categories for which the clearing is made (besides data about customers' services and data about foreign currency exchange) are as follows:

- 169.9 billions of tolar of general deposit orders, that is 7.6 billions of documents
- 154.2 billions of tolar of special deposit orders, that is 28.5 billions of documents
- 18.8 billions of tolar of transactions for other commercial banks, that is 0.9 million of documents
- 11.3 billions of tolar of postal orders, that is 0.9 postal orders or 0.9 million of documents
- 3.6 billions of tolar of money order disbursement, that is 0.2 million of documents
- 2.5 billions of tolar APP orders, that is 0.1 million of documents.

The biggest increase in the volume of services (20%) was made at special deposit orders operations, which grew from 2 to 2.5 millions of documents per month. Consequently the amount of work from receiving documents from post-office units, bookkeeping tracing, solving the reclamations, and archiving documentation increased.

In general deposit orders operations, there was a decrease of 20% from 9.6 to 7.6 millions yearly due to the transit to special deposit orders. Also, the operations with customers of other banks decreased by 35% from 1.4 to 0.9 million yearly due to the transit to POS terminal disbursements.

The bank approached towards signing and executing contracts with fiscal users in the area of cash transactions (deposits and withdrawals of fiscal users funds – schools, kindergartens, local municipalities, etc.) Therefore, 500 contracts were conducted with fiscal users for deposits and withdrawals of cash.

Due to the central support of payment transactions implementation, performing other rationalization procedures, and increasing the quality of data transfer from post-offices; the Bank decreased the number of employees in the organizational unit that takes care of payment transactions for individuals.

Foreign exchange payment transactions

In May 2002, the Bank complemented its offer with foreign exchange operations services for legal persons.

The Bank introduced foreign exchange payment transactions for legal persons and sole proprietorships. It performs payments with all the usual instruments of the international payment transactions. Customers can use assignments, cheques, letters of credit, and cash.

The Bank enables transactions through a single giro account for tolar and foreign exchange, which opens possibilities for broader and simpler cooperation with the Bank in domestic and international payment transactions.

In seven months, the Bank opened 193 foreign exchange accounts, through which the customers of the Bank performed almost 15 million of EUR of foreign exchange payment transactions. The largest share represent unbound payments, while the share of data operations is also increasing.

4. Representation of Financial Result

4.1. Representation of Revenues And Expenses in Profit And Loss Account

The result is shown in compliance with the prudential principle that only accounts receivable from the customers classified in group A and B are taken into account (given that accounts receivable were not classified into group B because of mortgages), while income from customers assigned C, D and E rating, is included only when the payment is actually received.

Net interest income in 2002 amounted to SIT 1,374 million, while in 2001 we had a loss of SIT 79 million. This is because of changes in presenting interest revenues from securities, held for dealing purposes. In 2002 they are presented among revenues from investing into capital, while in the previous year they were presented among revenues from interest. In 2002, the Bank divided the portfolio of securities, according to the regulations, into those that are held for dealing purposes, and those that are not (before that, all securities were presented as "held for dealing purposes"). As a consequence, net interest is not comparable with the previous year and has to be observed **together with the interest from investments in capital**.

Net interest together with the interest from investments in capital of SIT 2,811 million (in 2001 SIT 2,673 million) is by 5% higher than the year before. Interest margin decreased in 2002 and totals 3.32% (in 2001: 4.17%).

Net commissions and fees (SIT 655 million) increased by 33% as compared to the year before. On the income side, the highest item was charges for payment transactions in the country (60% of received commissions), of which, the greatest share represented income from Pošta Slovenije. This income of the Bank consists of the relevant part of fees charged by Pošta Slovenije for effecting payments at post office windows. In 2002, the Bank realized SIT 1,043 million from payment traffic in the country (the year before: SIT 874 million). On the expense side, a good 65% represented payments to Pošta Slovenije for services performed at post office windows, which increased by 19%, as compared to the previous year.

Net gain from financing activities amounted to SIT 271 million. The Bank earned SIT 83 million with foreign exchange trading, and SIT 171 million with securities trading.

General administrative expenses total SIT 2,454 million, which accounts for a 4% increase compared to the previous year. **Costs of labour** total SIT 1,402 million and are by 16% higher than

the year before. The number of employees decreased by 2% - from 216 to 211. Salaries were paid out accordingly to Collective Agreement and employment contracts.

In **costs of material** (SIT 167 million), costs for office material, paper and forms is the largest item, including the material that post-offices need for performing services for the bank and is paid by the bank (forms, envelopes, instructions). Total costs of material are 7% higher than the year before.

Costs of services amounted to SIT 885 million and were 10% lower than the year before. As regards costs of information technology amounting to SIT 201 million, the biggest increase was for computer equipment maintenance. Costs of premises and equipment amounted to SIT 198 million - the biggest portion represented rents of premises in the amount of SIT 106 million. Among other costs of services in the amount of SIT 372 million, the main item is the costs of postal services in the amount of SIT 126 million, followed by advertising costs in the amount of SIT 95 million, and costs of debit cards administration in the amount of SIT 59 million.

Costs of depreciation amounted to SIT 483 million and increased, as compared to the previous period, due to accelerated investments into renewal of computer hardware and software.

In 2002 the net effect of provisions and value adjustments was negative in the amount of SIT 621 million.

On the basis of prequalifications of receivables in the portfolio, the Bank formed additional adjustments for balance sheet receivables in the amount of SIT 531 million, SIT 7 million for off-balance sheet receivables, SIT 26 million for receivables from A group customers, and SIT 16 million for settlement among groups. At the same time it wrote down provisions for country risks in the amount of 3 millions of tolar. The Bank also formed provisions for pensions in the amount of 0.4 millions of tolar and used 3.3 millions of tolar provisions of costs, formed for controlling. Write-offs totalled SIT 54 million.

Profit before tax amounted to SIT 159 million, while net profit for the year was SIT 79 million. The Bank's tax on profit totalled SIT 23 million, while tax on total assets amounted to SIT 56 million. Taxes from gross profit, according to tax regulations, cannot exceed half of profit.

The Board of Directors and Supervisory Board formed legal, statutory, and other reserves from profit in total amount of SIT 51 million, accordingly to the Statute of the Bank and The Law on Commercial Companies. The residue of net profit after reserves amounts to SIT 28 million.

4.2. Cash Flow Statement

Cash flow statement changed greatly in the past year. It is made using the indirect method, by calculating amounts of inflows and outflows on the basis of the data from two consecutive balance sheets, income statements and additional information.

In cash flow statement the following items are included:

- Cash in hand and balances on accounts at the central bank (with the maturity of up to 3 months);
- Government bonds and other securities for rediscount at the central bank (with the maturity of up to 3 months);
- Debt securities (with the maturity of up to 3 months);
- Securities held for dealing purposes.

5. Financial Position of the Bank And Risk Management

Total assets in the amount of SIT 87,965 million increased by 19% in 2002.

On the assets side, **loans to customers other than banks** (amounting to SIT 30,208 million) increased by 11% in a year. The breakdown by segments, however, is different for legal persons and private individuals. The greatest increase within the group is observed in loans to legal persons, which increased by 16%; loans to individuals increased by 2%; sole proprietors accounted for an increase of 10%; while farmers took 4% less loans than the year before. The structure of placements was also changed: the share of legal persons increased from 65% to 68%, while the share of private individuals decreased from 30% to 28%. From the aspect of maturity, short-term loans prevailed (78%), while long-term investments represented 22%. Value adjustments of credits amounted to SIT 2,544 million.

Securities held for dealing purposes totalled SIT 2,631 million. The breakdown of the item shows that bills issued by the Bank of Slovenia and treasury bills of the Republic of Slovenia in the amount of SIT 367 million accounted for 14%, while state bonds in the amount of SIT 1,223 million accounted for 46%. Shares in the amount of SIT 1,042 million represented 40% of dealing securities.

Debt securities for non-dealing purposes amounted to SIT 44,313 million. Within the item, SIT 36,099 million (81%) represent bills issued by the Bank of Slovenia, while SIT 7,891 million (18%) represent state bonds. Bonds of banks and non-financial institutions in the amount of SIT 323 million account for 1% of all securities for non-dealing purposes.

Altogether securities account for 53% of total assets. The requirement prescribed by the Bank of Slovenia with regard to maturity of assets and investments in each category is one of the reasons for the high balances under the item of state securities.

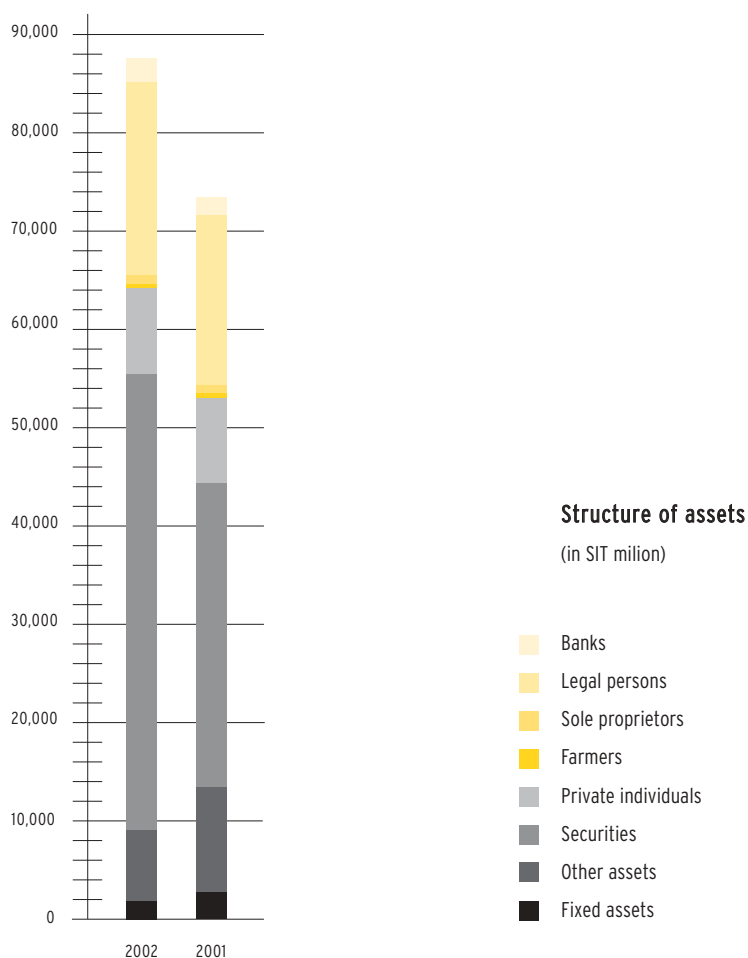
Liquidity loans to banks amounted to SIT 2,168 million. Due to the inflow of pensions on the last day of the month the Bank has a surplus of liquid assets, which are placed on a very short term. One kind of such placements comprises liquidity loans on the inter-bank market.

Cash in hand and balances on accounts at the year-end amounted to SIT 3,975 million. As a rule, cash in hand and balances on accounts are the highest at the end of month when the Pension and Disability Insurance Institute transfers funds for pensions.

Tangible and intangible fixed assets amounted to SIT 1,894 million, of which tangible SIT 1,462 million and intangible SIT 432 million, and increased by 10% over the year.

At the end of the year the Bank had also SIT 43 million of **participating interests**. Funds were invested into Bankart, and the pension companies Druga penzija and City Maribor.

Structure of assets as at:				
Type	31 Dec. 2002		31 Dec. 2001	
	In SIT million	%	In SIT million	%
Banks	2,168	3	1,874	2
Legal persons	20,396	23	17,627	24
Sole proprietors	1,184	1	1,077	2
Farmers	212	0	221	0
Private individuals	8,415	10	8,214	11
Securities	46,944	53	31,653	43
Other assets	6,752	8	11,012	15
Fixed assets	1,894	2	2,115	3
TOTAL	87,965	100	73,793	100



On the liabilities side, **deposits from private individuals and legal persons** contributed to the growth of liabilities in nominal terms the most significantly, and over one year increased by SIT 16,021 million or 27%, amounting to SIT 75,008 million at the end of the year 2002. The greatest part represented deposits of individuals in the amount of SIT 53,944 million or 72% of total deposits. Sight deposits represented 39% of these liabilities, short-term deposits accounted for 51%, and long-term deposits for 10% of all liabilities to customers other than banks.

Liabilities to banks amounted to SIT 1,595 million, which was SIT 1,801 million less than at the end of 2001.

Liabilities from issued securities in the amount of SIT 4,296 million comprise PBS bonds of the third issue totalling SIT 1,796 million and fourth issue amounting to SIT 2,500 million.

Among other loans amounting to SIT 1,574 million, the highest share represent liabilities for paid-in deposit orders.

Subordinated loans totalled SIT 1,500 million (second emission of PBS bond). A portion of subordinated liabilities in the amount of SIT 300 million (deposit of Pošta Slovenije) was transformed into capital, that is, capital reserves of the Bank.

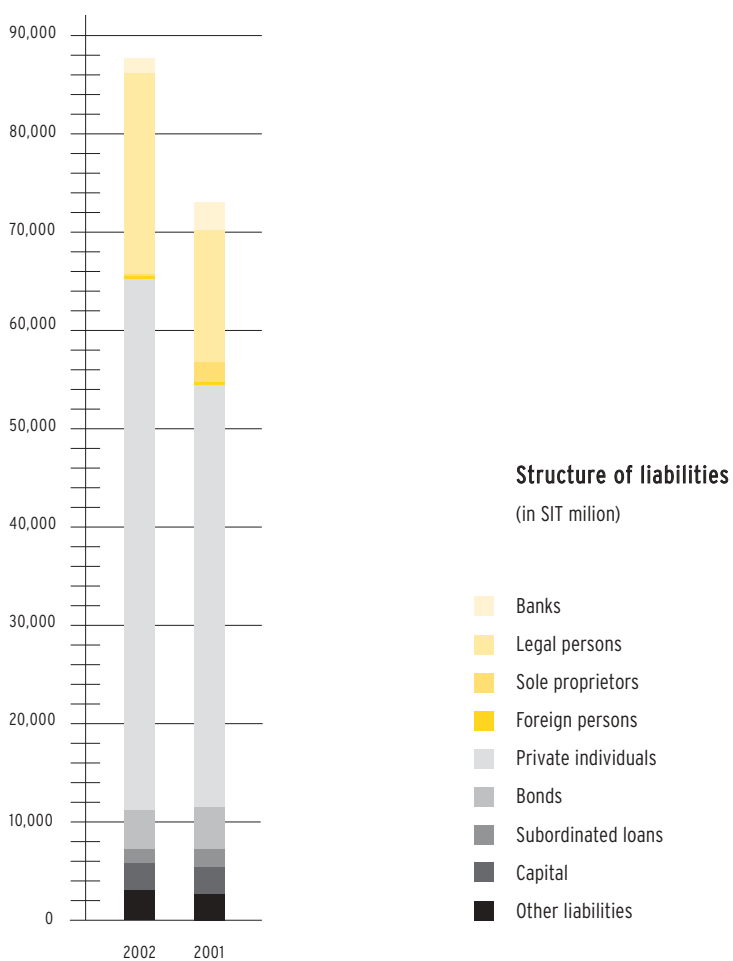
Provisions for insurance against possible losses from customers, classified in group A, amounted to SIT 355 million (in the previous year SIT 328 million), other provisions for off-balance liabilities SIT 67 million (in the previous year SIT 59 million), provisions for settlement by groups SIT 19 million (in the previous year SIT 3 million), and provisions for country risks SIT 1 million (in the previous year SIT 4 million).

Provisions for general banking risks, formed in 2000, totalled SIT 117 million in 2002.

The capital (subscribed capital, reserves, revaluation adjustment of capital and undistributed profits of previous year including net profit of the year 2002), amounted to SIT 2,767 million at the end of December 2002. The gross profit for the financial year totalled SIT 159 million and net profit after tax SIT 79 million.

The Board of Directors and Supervisory Board formed legal, statutory, and other reserves in total amount of SIT 51 million, accordingly to the Statute of the Bank and The Law on Commercial Companies. The residue of net profit after reserves amounts to SIT 28 million.

Structure of liabilities as at:				
Type	31 Dec. 2002		31 Dec. 2001	
	In SIT million	%	In SIT million	%
Banks	1,595	2	3,396	5
Legal persons	20,924	24	15,550	21
Sole proprietors	141	0	81	0
Foreign persons	153	0	186	0
Private individuals	53,791	61	43,169	58
Bonds	4,296	5	4,296	6
Subordinated loans	1,500	2	1,800	2
Capital	2,767	3	2,693	4
Other liabilities	2,798	3	2,622	4
TOTAL	87,965	100	73,793	100



OFF-BALANCE SHEET ITEMS amounted to SIT 50,109 million, of which potential liabilities amounted to SIT 8,299 million or SIT 1,169 million more than at the end of 2001. The volume of guarantees issued increased from December 2001 by SIT 1,034 million and amounted to SIT 2,243 million. Undrawn stand-by credits and overdrafts amounted to SIT 3,505 million and were higher by SIT 1,795 million, as compared to December. They also included special liquidity loan in the amount of SIT 258 million, which the Bank would grant on call-up of the Bank of Slovenia, to any bank in case of urgent intervention. Undrawn overdrafts of individuals amounted to SIT 2,036 million and undrawn credit lines to legal persons SIT 474 million. Potential liabilities also included overdrafts by payment cards in the amount of SIT 995 million and forward transactions, by which the Bank regulated the foreign exchange position in the amount of SIT 3,328 million.

5.1. Exposure of the Bank

5.1.1. Capital Adequacy

Acquiring additional capital is a permanent assignment of the Board of Directors. In the last period, the Bank increased capital a few times. In 2002 this was done by acquired deposit with characteristics of a derivative instrument, paid-in by Pošta Slovenije, part of which was at the end of 2002 transferred to the fifth issue of shares and the rest to the paid-in surplus of capital. In 1999 and 2001 capital was acquired by issuing third and fourth issue of shares, bought-out completely by Pošta Slovenije, and in 2000 by issuing second issue of PBS bond with characteristics of subordinated loan, which is included into additional capital, according to criteria from the Act of Bank of Slovenia on the Regulation on Capital Adequacy of Banks and Savings Banks.

According to the Regulation on Capital Adequacy the Bank is not obliged to calculate and meet capital requirements in respect of market risk, because its trading-book's business does not exceed 5% of its total business and the bank's total trading-book position does not exceed the tolar counter-value of EUR 15 million.

Calculated items according to The Law on Banking:		
	31 Dec. 2002	31 Dec. 2001
Capital (SIT million)	3,725	3,490
Weighted risky assets (SIT million)	34,780	31,214
Capital adequacy ratio (v %)	10.7	11.2

The minimum capital adequacy ratio, which is prescribed by the Bank of Slovenia, amounts to 8%.

In case of low level of capital adequacy ratio, which wouldn't be followed by the increase of capital, the Bank would direct additionally acquired funds into those investments that would not increase the risk of weighted risky assets, or those that would increase it in a smaller amount.

The Bank calculates the amount of capital monthly, while it calculates the exact amount of weighted risky assets and the level of capital adequacy ratio every three months.

5.1.2. Credit Risk

Among banking risks, the biggest is credit risk. The Bank contains this risk by suitable classification of customers, based on valid regulations and internal criteria of classification. According to classification, payment discipline, and adequacy of insurance, value adjustments and reservations are made.

For insurance from risks, the Bank formed additional value adjustments and reservations in 2002. The amounts of each item as at 31 December 2002 and comparison with the previous year is evident from the following table:

In SIT million			
	As at 31 Dec. 2001	As at 31 Dec. 2002	Change in year 2002
1	2	3	3-2
Special reservations for A receivables	328	355	27
Value adjustments on B – E receivables	2,358	2,763	405
Reservations for off-balance liabilities	59	67	8
Reservations for settlement by groups	3	19	16
Reservations for country risks	4	1	-3
Exclusive revenues	728	854	126
TOTAL	3,480	4,059	579

Reservations and adjustments totalled SIT 4,059 million, of that additionally formed items in 2002 amounted to SIT 579 million.

Shares of individual items of the total amount of classified gross receivables				
	As at 31 Dec. 2001		As at 31 Dec. 2002	
	In SIT million	%	In SIT million	%
Balance-sheet receivables	69,882	89.8	84,859	90.3
Off-balance sheet payables	7,130	9.2	8,299	8.8
Exclusive revenues and discount	741	1.0	858	0.9
Classified receivables	77,753	100	94,016	100

Balance-sheet receivables and off-balance sheet payables increased, as compared to the previous year. As a portion of classified receivables, though, balance-sheet receivables increased by 0.5 percentage points, while off-balance sheet payables decreased by 0.4 percentage points.

Shares of individual classified receivables (except exclusive revenues) by groups:		
Group	31 Dec. 2001	31 Dec. 2002
A	89.7 %	81.6 %
B	5.7 %	9.5 %
C	2.2 %	1.9 %
D	0.4 %	3.9 %
E	2.0 %	3.1 %
TOTAL	100.0 %	100.0 %

As compared to the previous year, the portfolio experienced some deterioration. Share of receivables, classified in group A decreased by 8.1 percentage points, while portion of receivables in group B increased by 3.8 percentage points and portion of risky investments (group C, D, and E) increased by 4.3 percentage points (group D increased by good 3.5 percentage points).

5.1.3. Liquidity Risk

The Bank is tracing liquidity daily on meetings of liquidity commission and makes monthly plans of liquidity flows.

The Bank is in constant contact with larger clients – depositors and carefully traces and plans flows from pension disbursements and from deposit orders, as the biggest single flows through the Bank's account.

As regards larger depositors, the bank strives to diversify deposit funds to smaller amounts with different maturity dates.

In order to ensure permanent liquidity, the bank has liquidity provisions in the form of suitable diversification and temporary distribution of cash certificates of the Bank of Slovenia and treasury bills of the Republic of Slovenia, which at the same time represent the basis for attaining loans from the Bank of Slovenia, collateralised with mentioned securities.

Maturity risk is controlled by coordinating maturity of sources and investments. Long-term sources exceed long-term investments for SIT 869 million, which means that the Bank still has some space at coordinating the maturity of the balance sheet.

Balance sheet by maturity as at:	In SIT million	
	31 Dec. 2001	31 Dec. 2002
Long-term assets	6,707	15,007
Long-term liabilities	12,412	17,556
Unbound long-term sources	5,705	2,529

The transfer of securities held for dealing purposes to the group of securities that are held for non-dealing purposes, had the largest influence on the increase of long-term assets.

The Bank has to coordinate investments and liabilities in the 30- to 180-day period. In order for the Bank to attain prescribed ratios (a minimum ratio of 1), it has to because of a large share of short-term sources (sight deposits from individuals) hold a large share of portfolio in liquid investments, of which the largest portion is comprised of cash certificates of the Bank of Slovenia, treasury bills, and bonds of the Republic of Slovenia.

According to the regulation on minimum liquidity, the Bank has to calculate liquidity ratios (separately, for tolar and for foreign exchange part) daily since 1.7.2002. The Bank also has to report to the Bank of Slovenia about attaining the minimum liquidity ratio of 1 and about foreign exchange liquid investments and the share of cash certificates of the Bank of Slovenia in foreign currency.

Attained liquidity ratios as at 31 December 2002:				In SIT million	
Item	tolars		foreign currency		
	I. class	II. class	I. class	II. class	
Investments	55,466	72,421	2,911		2,911
Liabilities	47,984	68,016	581		699
Difference	7,482	4,405	2,330		2,212
Liquidity ratio	1.16	1.06	5.01		4.16
Ratio - total	1.20	1.10			

Average liquidity ratios in December 2002:				In SIT million	
Item	tolars		foreign currency		
	I. class	II. class	I. class	II. class	
Liquidity ratio	1.15	1.05	4.39		3.88
Ratio - total	1.19	1.08			

5.1.4. Interest Risk

When deciding about the level of active and passive interest rates, the Bank is subjected to market conditions, which are created by big banks. The Bank adopted a Decision on Interest Rates, which determines interest rates for different types of received and given monetary resources. It also has specially defined mandates for a change of interest rate for an individual customer.

In 2002 the Bank created a methodology for containing interest risk, that comprises:

- Average interest rates and interest interval;
- Tracing of interest rates on the market;
- Reporting about differences;
- Calculation of interest risk exposure (the model of interest-sensitive investments and liabilities spread);
- Tracing of uncoordination of the volume of assets and liabilities with contractually determined fixed interest rate and separately with flexible interest rate;
- Calculation of interest margin;
- Tracing of average weighted assets and passive interest rates for deals with legal persons.

The Bank revaluates assets and investments mostly with TOM (basic interest rate), and partly with a currency clause (mostly tied to the EUR exchange rate). Assets and Liabilities Committee is dealing with the ratio of exposure of TOM or foreign exchange clause in assets or liabilities on monthly basis. If needed, measures for diminishing the uncoordination are then accepted.

In the area of real interest rates, the Bank, as a rule, follows the policy of flexible interest rates. However, this cannot always be realized, as large depositors (and in a lesser amount borrowers) try to determine their conditions.

5.1.5. Foreign Exchange Risk

The Bank is leading a policy of a balanced foreign exchange trading-book position. Foreign exchange deals, that the Bank started to perform in the middle of 2002 for legal persons, are evident on the side of assets, as well as on the side of liabilities. The Bank is containing foreign exchange risk by fulfilling the structure of foreign currency liquid investments. The largest portion of foreign currency liquid investments represent foreign currency cash certificates in EUR, cash in hand and balances of accounts at banks in Slovenia.

In 2002, the Liquidity commission was daily tracing open foreign exchange position and foreign currency minimum, while the Assets and Liabilities Committee of the Bank was doing that monthly. After the change of regulations, however, liquidity commission is daily tracing fulfilment of prescribed structure of foreign exchange liquid investments, while the Assets and Liabilities Committee of the Bank is monthly tracing open foreign exchange position, foreign currency risk adjusted items, and fulfilment of prescribed structure of foreign exchange liquid investments.

Retail Banking Department daily prescribes exchange rates for buying and selling effective foreign currency, while the Liquidity Commission daily traces fluctuations of these exchange rates. Treasury Department proposes commercial exchange rates.

Foreign exchange risk is not a big risk for a bank with prevalent tolar operations. Despite that, the Bank dedicates a special concern to that issue.

Balance sheet by currencies as at 31 December 2002:					in SIT million	
	Foreign exchange	Foreign currency clause	Total	SIT	Total assets	
Assets	1,048	1,588	2,636	85,329	87,965	
Liabilities	701	1,719	2,420	85,544	87,965	
Difference	347	-131	216	-216	0	

5.1.6. Country Risk

Country risk appears in relatively very small amount at receivables from disbursed international postal orders.

5.1.7. Risk of Securities' Prices Changes

The Bank's investments in cash certificates of the Bank of Slovenia are not risky, as far as price changes are concerned.

The Bank's investments in bonds of the Republic of Slovenia represent a portion of investments that are intended for fulfilment of requirement of coordinating the maturity of assets and investments. The source for disbursement at maturity is government budget, which influences on adequate stability of the price.

Investments in treasury bills of the Republic of Slovenia are not risky, as far as price changes are concerned. Bills are subscribed with discount, and until maturity disbursed in nominal value.

Portfolio of other marketable securities is formed on the basis of the Bank's Act on purchases and sales and on the basis of trading, which is, according to authorization performed by Treasury Department.

The Assets and Liabilities Committee is monthly dealing with total volume of investments in securities and investments in individual securities.

Treasury Department is in charge of tracing securities' price movements and risks of securities' price changes. When a risk of a price fall is detected, the department suggests or adopts decisions about the sale of securities. Treasury Department also consults Corporate Banking Department on securing the loans with securities collaterals.

The Bank values securities' portfolio as at the end of each month, according to the Slovenian Accounting Standards and formed policy of the Bank.

6. Fulfilment of the Requirements of the Bank of Slovenia

The Bank is obliged to fulfil the requirements of the Bank on Slovenia, according to the Law on Banking.

Capital (before warranty capital) amounted at the end of December 2002 to SIT 3,725 million. Capital shares in other banks are not deducted from capital (if they do not exceed the limit of 10% of our or another bank), while provisions for general risks, formed in 2000 and revaluated in 2001, in the amount of SIT 117 million are included in capital. Capital comprises also PBS bonds of the second issue with the characteristics of subordinated debt in the amount of SIT 1,192 million (issue totals SIT 1,500 million) or 50% of the basic capital of the Bank. The share of capital in the average weighted assets (capital adequacy ratio) has to amount to at least 8%, while in Poštna Banka Slovenije capital adequacy ratio amounts to 10.7%. The Bank also fulfils other restrictions that are based on a percentage of capital, such as: investments in fixed assets and capital of non-financial organizations, capital investments in individual non-financial organizations, exposure towards persons with a specific relationship with the Bank, exposure towards one customer, and the sum of all exposures.

Mandatory reserve amounted on average to SIT 4,011 million in December, which is by SIT 651 million higher than required. The exceeding is a consequence of a high level of cash that is needed for payment traffic operations.

Limitations as at 31 December 2002:			
Limitation	Allowed % of capital	Allowed in SIT million	Achieved in SIT million
Bank shares bearer (over 5%)	10	372	314
Investments into one customer	25	931	848
Investments into controlling company	20	745	-
Sum of big exposures	800	29,796	11,438
Fixed assets and capital investments into non-financial organizations	100	3,725	1,474
Capital investments into non-financial organizations	60	2,235	12
Investments into an individual non-financial organization	15	559	7
Persons in a specific relationship with the bank	10	372	314
Sum of persons in a specific relationship with the bank	100	3,725	314

The past
is the best foreteller
of the future.



7. Share Capital

1. Number of shareholders: at the end of 2002 there are two shareholders - the Republic of Slovenia (62%) and Pošta Slovenije (38%)
2. Number of shares (at the end of 2002): basic capital of the Bank totals SIT 1,103 million as at 31 December 2002 and is comprised by 275,750 regular shares (of which the Republic of Slovenia owns 170,965 shares and Pošta Slovenije 104,785 shares).
3. Nominal share value: Nominal share value amounts to SIT 4,000.
4. Share capital as at 31 December 2002 amounts to SIT 2,767,184 thousand.
5. Capital adequacy ratio amounts to 10.7 %.

8. Development of the Bank

Poštna banka Slovenije was incorporated on 1 July 1992. Since then it experienced very great and fast development. The Bank enlarged volume of its operations by increasing the number and range of services for its customers. A great emphasis was given to new services.

Simultaneously with the increase in the volume of operations and development of business functions the bank strengthened its supporting functions. This was happening mostly in the area of information system implementation in the form of new application supports for mass banking operations. The Bank adjusted its internal organizational structure to the needs of market-oriented organization of operations. For this purpose, two commercial centres – in Maribor and Ljubljana – are operating. In order to approximate its services to the customers, the Bank operates in branch offices in Murska Sobota, Celje, and Kranj.

Development of the Bank demands also constant human resources reinforcement.

8.1. Business Network

Business network is comprised of 547 post-office units, which perform services for individuals on behalf of the Bank. Of that, 322 post-office units also perform foreign exchange deals. For electronic operations services the Bank owns 14 ATMs, otherwise customers can use the entire ATM network in Slovenia. Legal persons also started to use Slovene postal network for payment traffic services.

The Bank complements postal network with own marketing organized operations. For that purpose, the Bank owns two subsidiaries: Commercial centre in Maribor and in Ljubljana, and branch offices that operate in Celje, Murska Sobota, and Kranj.

8.2. Internal Audit

Poštna Banka Slovenije established internal audit department on 17 October 1993. It is an independent organizational unit, separated from other organizational units in the Bank and responsible directly to the Board of Directors. It was established with the purpose of constant supervision of Bank's operations in all business areas.

Internal audit is performed by: manager of the unit, licensed auditor, auditor for information technology, and auditor of cash operations. The organization of internal audit enables auditors to be independent at their work, and free and objective at expressing their opinions. Internal auditors are adequately technically qualified and have many years of working experience in the area of banking operations.

The mission of internal audit is to check efficiency and coordination of operations with the accepted policy of the Bank, legal regulations and internal normatives. Work of internal audit entails determination of existing state, technical judgement at identifying potential variances from norms or contractual stipulations, reporting to the Board of Directors and the Supervisory Board.

Internal audit's activity, responsibilities, jurisdiction, level of independence, and way of reporting are defined in internal Statute about the work of internal audit department, which was adopted by the Board of Directors in agreement with the Supervisory Board.

- Other norms that define existence, organization, and activities of internal audit department:

- Statute of organisation of Poštna banka Slovenije
- Act on job positions systematisation in Poštna banka Slovenije
- Annual plan, adopted by the Board of Directors in agreement with the Supervisory Board
- Operative plan of work by areas of auditing operations of the Bank
- Internal audit handbook
- Decrees of the Board of Directors
- Internal Audit Standards
- Code of Professional Conduct of Internal Auditors.

Internal audit department also performs an audit at another legal person, that performs services of payment traffic, as well as cash and foreign exchange operations on behalf of the Bank.

Audit of another legal person is defined in:

- Contract on mutual business cooperation, concluded by the Boards of Directors of Pošta Slovenije and Poštna Banka Slovenije;
- Statute of activities of internal audit of Poštna banka Slovenije (articles 15 and 16).

Internal audit department is lead by department manager, who monitors bank's operations, directs auditors at their audit, prepares the annual plan of activities, and forms operative plans by individual areas of the Bank's operations, that are subject of audit, on the basis of accepted annual plan of activities. He cooperates and agrees internal audit activities with external audit. He also cooperates with the central bank inspectors for bank surveillance at reviewing the Bank's operations.

On the basis of operative plans for every three months, manager of internal audit departments delegates audit work to internal auditors. Work orders, which are at the same time denunciations of audit procedures, define: auditor in charge, name of work program – area, purpose and goals of audit, methods, sources for audit, duration and term for completion. Auditors perform reviews by phases: preparation for audit, determination of existing state of the subject of audit, estimation of existent state, defining variances from norms, forming recommendations, and reporting to the manager of internal audit department. On the basis of findings and recommendations of an

auditor, the manager coordinates content and terms for elimination of deviations with the manager of audited department and reports about it to the Board of Directors.

Internal audit department reports about its work to the Board of Directors and about implementation of recommendations, every three months to the Supervisory Board, according to the Law on Banking.

Internal audit department does not perform operative activities of the Bank's operations. It performs its work accurately, timely, and consistently determines accordance of activities with mandates and written regulations on individual business areas. Internal audit department acts on the basis of annual plan, decrees of the Board of Directors, or special orders of the manager of internal audit department.

8.3. Information Support of Operations

The Bank continued with the renovation of its information system. It occurred on the basis of accepted and coordinated Program of tasks and projects of information system renovation and of the plan of investments in fixed assets by the following groups:

- Investments in computer capacities and network infrastructure;
- Development of own application solutions;
- Supplements of existing application solutions;
- Maintenance of existing application solutions;
- Implementation of security policy provisions in the area of information technology;
- Enlargement and finishing of deals on UPO post-office windows and of support of the Bank.

Realization of the Bank's modernization on the basis of accepted program of projects and tasks of information system renovation for 2002 was as follows:

Application software

Further development of information system after the changed strategy was implemented through projects and tasks of program for information system renovation. Bank gained the following:

- Application support for payment transactions;
- Support for daily reporting about tolar and foreign currency liquidity scale;
- Application support of foreign exchange payment transactions;
- Further construction of data model and application solutions for controlling the central data of the Bank;
- Application supports at development of new services together with Pošta Slovenije.

Communication network

The Bank cooperated at measuring and analysing WAN/LAN network. The Bank performed:

- Connection of the Bank's commercial centres to the network of Poštna banka Slovenije,
- Upgrade and redundancy of firewall,

- Construction of new connection between Poštna banka Slovenije and Nova Ljubljanska banka,
- Redundant connection among different locations in Poštna banka Slovenije.

Security policy for IT

The Bank, among others, introduced additional recording of system audit trails and some application audit trails. It introduced additional safety mechanisms at registering into systems. Complete list of external and internal users of Bank's IS (requests, etc.) was established. An analysis was made and a solution for establishment of backup location of the computer centre of the Bank was chosen.

Investments in computer equipment

The Bank procured and implemented LTO track library with Tivoli Storage Manager (TSM) support for a complete data protection.

The Bank upgraded central computer system to 6 processors, using licenses.

The Bank performed partial renovation of working stations on both locations. It also coordinated license contracts with suppliers of system program equipment.

8.4. Security Policy of the Bank

Physical and technical security

In the area of physical and technical security the Bank follows guidelines, which are defined in the Minimal Requirements and Recommendations on the Association of Banks of Slovenia. Physical security is organized in the Bank's premises in Maribor, Ljubljana, Celje, Kranj, and Murska Sobota from 7 am till 10 pm. Premises are technically secured by anti-burglary and anti-robbery devices, with systems of video-surveillance, system of access control, and working hours recording. All premises have anti-fire systems. Bank constantly maintains all the devices of technical security and fire security.

The Bank broadened and upgraded the system of video data archiving.

According to the contract, physical and technical security is performed by certified companies, which ensure 24 hour monitoring of alarms and intervention. Certified and qualified company is a member of ZZVRS. The Bank also has a contract with suitably certified company, which performs technical tasks for fire safety. Security is executed on the basis of elaborated and confirmed plans of security. In the same way, the transfer of cash is organized, which is also done by suitably certified and qualified company.

Security policy for information technology

The bank continued to implement security policy for information technology. It executed the policy on the basis of the plan, based on the Regulation of the Bank of Slovenia and on Acts of the Board of Directors.

The Board of Directors confirmed strategy of security policy and is actively monitoring its implementation. The Bank accepted the following standards and recommendations in the area of safety policy execution: coordination of implementation of safety policy for IT with ISO 17799 and implementation of system of IT security after BS 7799-2:2002.

Security engineer is in-charge of implementing security policy. He informs the Board of Directors in monthly reports about implementation of security policy and of variances and risks, which emerged during the month. In the report he suggests elimination or diminishing of risk to the level, acceptable to the Bank.

In order to coordinate implementation of security policy with standard ISO 17799, the Bank took the following steps: it accepted statutes and standards for individual areas of security policy implementation; prepared solutions for backup location, which was accepted and is in the phase of implementing; formed basic backup procedures of critical operations of the Bank in case of complete or partial deficit of information technology; and adopted measures for diminishing operating risks, based on their analysis.

In 2002, the Bank adopted the following documents:

- Procedures of informing in case of security incidents in the area of information technology;
- Policy of access for contractual maintainer of application and system program equipment and samples of protocols of access for coordination and signature with suppliers of hardware and software;
- Minimal requirements for monitoring of audit trails in information system of the Bank;
- Review of possibilities for a backup location;
- Analyses of operational risks of business processes, supported by information infrastructure.

8.5. Human Resources Function

In 2002, recruiting decreased by 2.3%, as compared to 2001. At the end of 2002 there were altogether 211 employees in the Bank, of that 207 employed temporarily and 4 permanently.

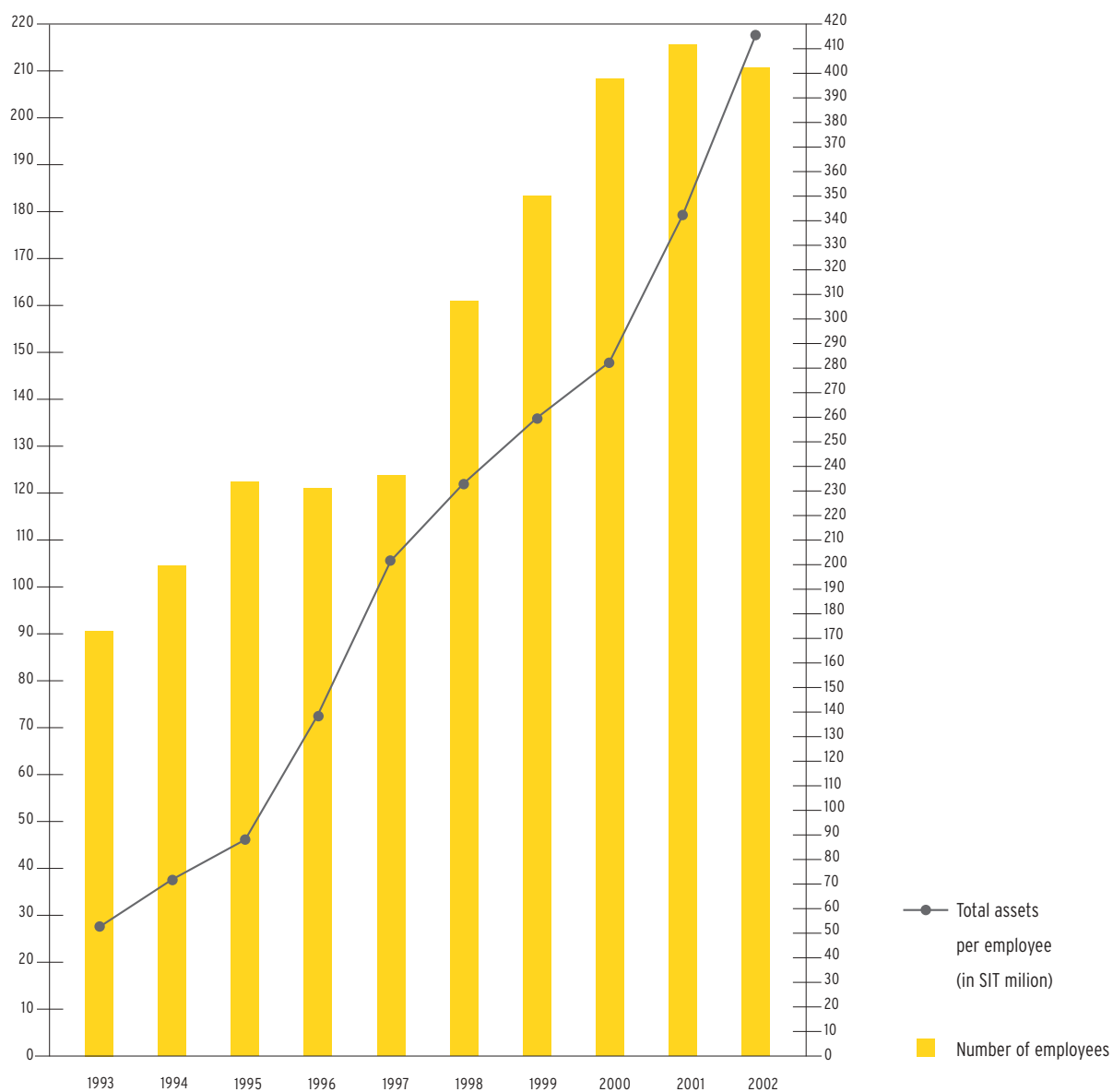
Fluctuation in 2002 amounted to 3.2%. Seven employees left the Bank, of that two retired.

Educational structure of employees at the end of 2002:		
Tariff class	Number of employees in December	%
I.	2	0.9
II.	1	0.5
IV.	6	2.8
V.	107	50.7
VI.	43	20.4
VII.	44	20.9
VIII.	8	3.8
TOTAL	211	100

Number of employees by organizational units as at 31 December 2002:		
Organizational unit	Number of employees	%
Management of the Bank	16	7.6
Retail banking department	67	31.8
Corporate banking department, Maribor	18	8.5
Corporate banking department, Ljubljana	15	7.1
Treasury department	6	2.8
Payment transaction and electronic banking department	46	21.8
Managerial accounting department	14	6.6
Information technology department	17	8.1
Legal affairs, human resources, general services department and marketing	12	5.7
TOTAL	211	100

Number of employees

Milion tolar per employee



Among goals, contained in business policy of the Bank, there were also development and education of human resources. The Bank spent SIT 14.5 million for education of its employees in 2002. Education took place at certified educational institutions (ZBS, CISEF, and others), where employees attended current seminars and consultations on topics like banking, leadership, and motivation.

In 2002, 4 employees attended postgraduate studies, 13 employees attended graduate schools and 1 employee attended high school, which altogether represents 8.5% of all the employees. The Bank also organized education in information technology for its employees, mainly from the Information technology department.

8.6. Organization of the Bank

Internal organization of the Bank was partly changed and supplemented in 2002.

Management of the Bank entails:

- Internal audit department;
- Risk management department; and
- Safety policy expert.

Business activities of the Bank take place in the following departments:

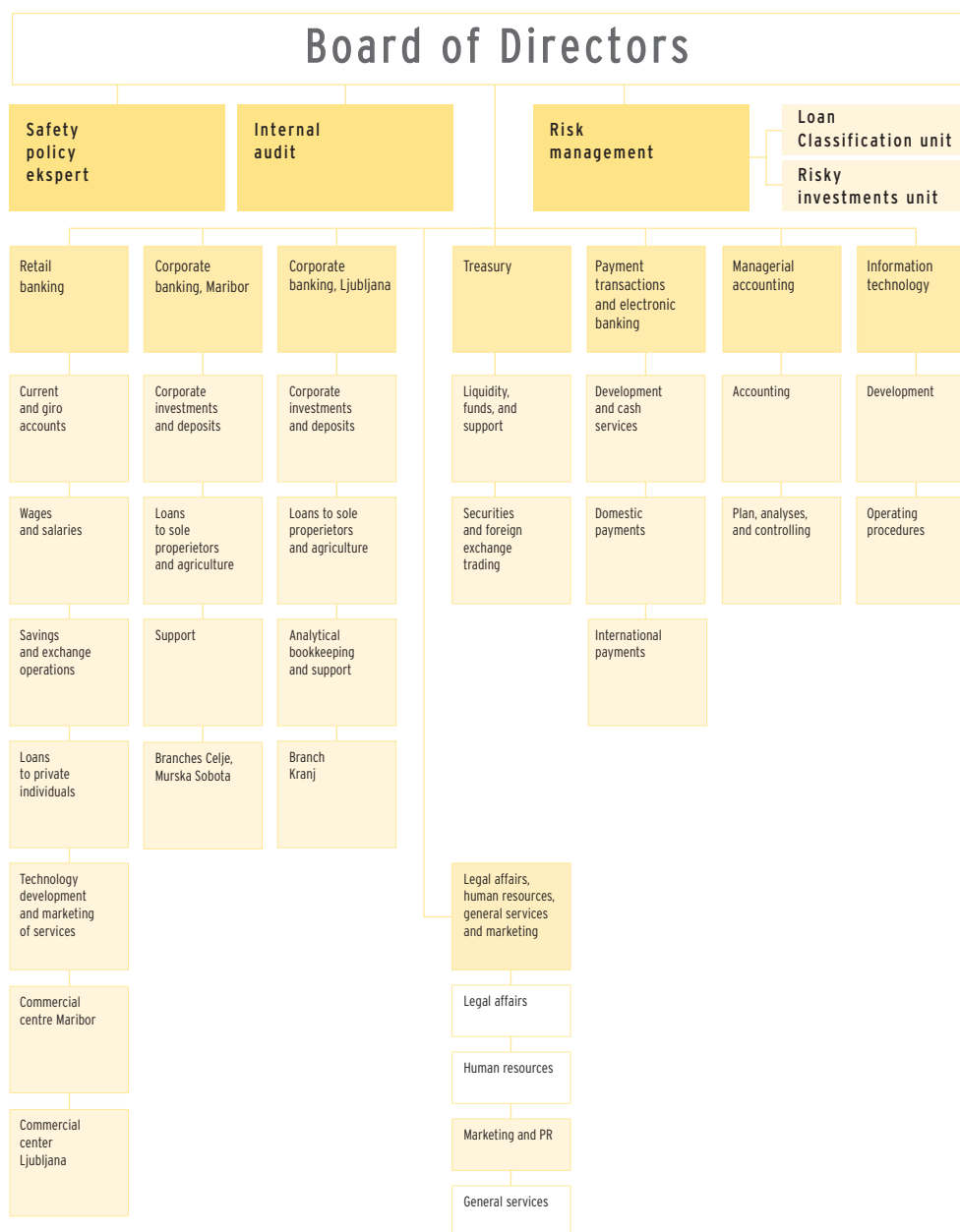
- Retail banking department;
- Corporate banking department, Maribor;
- Corporate banking department, Ljubljana;
- Treasury department;
- Payment transaction and electronic banking department;
- Managerial accounting department;
- Information technology department;
- Department of legal affairs, human resources, general services, and marketing.

A peculiarity of the Bank's organization is its business network, comprised of post-office units throughout the country. Both commercial centres (Ljubljana and Maribor) and branch offices (Murska Sobota, Celje, and Kranj) are also included in the network.

Experience is a book
that can be read even
by those who never
went to school.



Organizational Structure of Poštna banka Slovenije



8.7. Management and Leadership of the Bank

Assembly of the bank

The president of the Board of Directors or the Board of Directors of the Bank represented the assembly of the Bank in 2002.

Supervisory board

Until 6 February 2002 the members of the Supervisory Board were:

1. President: Alfonz Podgorelec, M. Sc.
2. Vice-President: Jože Fošt
3. Member: Jože Strelec
4. Member: Štefan Zidanšek
5. Member: Ljubo Renko
6. Member: Milan Venek
7. Member: Ivan Hrnčič

Since 6 February 2002 the members of the Supervisory Board are:

1. President: Alfonz Podgorelec, M. Sc.
2. Vice-President: Jože Fošt
3. Member: Jože Strelec
4. Member: Igor Hudin
5. Member: Ignac Rupnik
6. Member: Milan Venek
7. Member: Ivan Hrnčič

The Board of Directors of the Bank

The Bank is lead by the Board of Directors.

Until 12 February 2002 the Board of Directors had two members:

Romana Fišer, M. Sc. and
Jožica Capuder, M. Sc.

Since 13 February 2002 the Board of Directors had three members:

Romana Fišer, M. Sc.
Jožica Capuder, M. Sc. and
Viktor Lenče

From 19 September 2002 on the Board of Directors had again two members:

Viktor Lenče and
Jožica Capuder, M. Sc.

Management as at 31 December 2002:

First name and last name	Function
1. JANEZ BRENKOVIČ	Manager of department of Legal affairs, human resources, general services, and marketing
2. ANA MARIJA VLAJ	Manager of Internal audit department
3. DUŠKA ZALOKAR	Manager of Risk management department
4. ALEKSANDER JERENKO	Manager of Retail banking department
5. ROSANDA FALEŽ	Manager of Corporate banking department, Maribor
6. FRANC HORVAT	Vice manager of Corporate banking department, Ljubljana
7. BOŽENA BLAŽIČ, M. Sc.	Manager of Treasury department
8. ŠTEFAN JAKOVAC, M. Sc.	Manager of Payment transaction and electronic banking department
9. BORIS HAUPTMAN	Manager of Managerial Accounting department
10. ROMAN TREVEN	Manager of Information technology department

Other boards:

- Technical board of the Bank,
- Loans committee,
- Liquidity commission, and
- Assets and Liabilities Committee.

Tradition

lives in the present;
that is its essence.

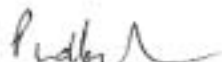


**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF POŠTNA BANKA SLOVENIJE d.d.**

We have audited the balance sheet of Poštna Banka Slovenije d.d., as of 31 December 2002, the related income statement, statement of changes in equity, statement of changes in financial position, and notes to the financial statements for the year ended 31 December 2002. We reviewed also the company's business report as of the same date. These financial statements and the business report are the responsibility of the company's management. Our responsibility is to express an opinion on financial statements based on our audit and report on the consistence of the information included in the business report with the information in the audited financial statements.

We conducted our audit in accordance with the basic audit principles and International Standards on Auditing. Those principles and 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements of Poštna Banka Slovenije d.d., mentioned in the first paragraph, present fairly, in all material respects, the financial position of Poštna Banka Slovenije d.d. as of 31 December 2002, the results of its operations, statement of changes in financial position, and statement of changes in equity for the year then ended in accordance with Slovene Accounting Standards. The information in the company's business report is consistent with the information in the audited financial statements.



Alenka Podbevšek
Licensed Auditor

Deloitte & Touche revizija d.o.o.

**Deloitte
& Touche**
revizija d.o.o.

Ljubljana, 25 April 2003

Financial Statements

Financial Statements

Balance sheet at 31 December 2002				In thousands of tolar	
No.	Indication	Note	ITEM	31 Dec. 2002	31 Dec. 2001
1			2	3	4
1	A.	I. 2.1.	CASH IN HAND AND BALANCES WITH THE CENTRAL BANK	3,974,878	8,943,455
2	A.	II.	STATE BONDS AND OTHER SECURITIES FOR RE-DISCOUNT WITH THE CENTRAL BANK	0	0
3	A.	III. 2.2.	LOANS TO OTHER BANKS	2,168,461	1,874,268
4	A.	III. - 1	Sight / demands deposits	468,461	164,002
5	A.	III. - 2	Other loans	1,700,000	1,710,266
6	A.	IV 2.3.	LOANS TO CUSTOMERS	30,207,788	27,138,669
7	A.	V. 2.4.1.	DEBT SECURITIES NOT HELD FOR TRADING	44,313,170	29,931,294
8	A.	V. - 1	Issued by the state	43,990,278	29,620,732
9	A.	V. - 2	Issued by others	322,892	310,562
10	A.	VI 2.4.2.	SECURITIES HELD FOR TRADING	2,631,066	1,721,255
11	A.	VII.	INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED COMPANIES	0	0
12	A.	VII - 1	Investments in subsidiaries	0	0
13	A.	VII - 2	Investments in other associated customers	0	0
14	A.	VIII. 2.5.	INVESTMENTS IN OTHER COMPANIES	43,440	52,405
15	A.	VIII. - 1	Investments in related banks	0	0
16	A.	VIII. - 2	Investments in non-related customers	43,440	52,405
17	A.	IX. 2.7.	INTANGIBLE LONG-TERM ASSETS	432,204	482,946
18	A.	X. 2.7.	PROPERTY AND EQUIPMENT	1,461,815	1,632,405
19	A.	XI.	TREASURY SHARES	0	0
20	A.	XII. 2.8.	SUBSCRIBED UNPAID CAPITAL	0	0
21	A.	XIII. 2.9.	OTHER ASSETS	1,240,147	1,338,451
22	A.	XIV. 2.10.	ACCRUED INCOME AND DEFERRED EXPENSES	1,491,916	678,168
23			TOTAL ASSETS	87,964,885	73,793,316

No.	Indication	Note	ITEM	31 Dec. 2002	31 Dec. 2001
1			2	3	4
24	P.	I.	2.11.	DEPOSITS AND BORROWINGS FROM BANKS	
				1,594,568	3,395,861
25	P.	I. - 1		Sight deposits	0
26	P.	I. - 2		With agreed maturity or notice period (time deposits)	1,594,568
					3,395,861
27	P.	II.	2.12.	DEPOSITS AND BORROWINGS FROM OTHER CUSTOMERS	
				75,008,406	58,987,319
28	P.	II. - 1		Liabilities from demand deposits	29,063,055
29	P.	II. - 2		Liabilities from time deposits	40,063,310
30	P.	II. - 3		Other liabilities from time deposits	5,882,041
					2,722,998
31	P.	III.	2.13.	DEBT SECURITIES	
				4,295,594	4,295,594
32	P.	III. - 1		Liabilities from issued securities	4,295,594
33	P.	III. - 2		Liabilities from other certificates	0
					0
34	P.	IV.	2.14.	OTHER LIABILITIES	
				1,574,246	1,404,286
35	P.	V.	2.15.	ACCRUALS AND DEFERRED INCOME	
				664,891	702,236
36	P.	VI.	2.16.	PROVISIONS FOR LIABILITIES AND CHARGES	
				442,510	397,360
37	P.	VI. - 1		Long-term provisions for pensions and similar commitments	350
38	P.	VI. - 2		Long-term provisions for insurance against possible losses	442,160
39	P.	VI. - 3		Other long-term provisions	0
					3,301
40	P.	VII.	2.17.	PROVISIONS FOR GENERAL BANKING RISK	
				117,486	117,486
41	P.	VIII.	2.18.	SUBORDINATED DEBT	
				1,500,000	1,800,000
42	P.	IX.	2.19.	SUBSCRIBED CAPITAL	
				1,103,000	1,103,000
43	P.	X.		EQUITY RESERVES	
				0	0
44	P.	XI.	2.19.	PROFIT RESERVES	
				810,372	576,419
45	P.	XII.	2.19.	CAPITAL REVALUATION ADJUSTMENTS	
				775,465	775,465
46	P.	XII. - 1		General capital revaluation adjustments	775,465
47	P.	XII. - 2		Specific capital revaluation adjustments	0
					0
48	P.	XIII.	2.19.	RETAINED EARNINGS	
				50,000	184,070
49	P.	XIV.	2.19.	NET PROFIT FOR THE PERIOD	
				28,347	54,220
50				TOTAL LIABILITIES	
				87,964,885	73,793,316

No.	Indication	Note	ITEM	31 Dec. 2002	31 Dec. 2001
1			2	3	4
51	B.	2.21.	OFF-BALANCE LIABILITIES	50,109,448	36,340,005
52	B.	- 1	Possible liabilities arising from letters of credit and endorsements	22,215	0
53	B.	- 2	Guarantees and assets pledged	2,342,561	1,208,156
54	B.	- 3	Assumed financial obligations	6,413,680	4,162,125
55	B.	- 4	Derivative financial instruments	1,565,818	885,638
56	B.	- 5	Custody	0	95,266
57	B.	- 6	Records of write-offs in accounts receivable and accounts payable	121,701	77,287
58	B.	- 7	Other off-balance liabilities	39,643,473	29,911,533
59	C.		INTERNAL TRANSACTIONS	0	0
60	C.	- 1	Debtors	0	0
61	C.	- 3	Negative balance of internal transactions	0	0
62	C.		INTERNAL TRANSACTIONS	0	0
63	C.	- 2	Liabilities	0	0
64	C.	- 4	Positive balance of internal transactions	0	0
65	D.	2.20.	FIDUCIARY ACCOUNTS	0	0
66	D.	- 1	Receivables	1,327	0
67	D.	- 3	Negative balance of fiduciary accounts	0	0
68	D.	2.20.	FIDUCIARY ACCOUNTS	0	0
69	D.	- 2	Liabilities	1,327	0
70	D.	- 4	Positive balance of fiduciary accounts	0	0
71	E.		OFF-BALANCE ITEMS	4,966,152	4,525,350
72	E.	- 1	Total bad and doubtful debt	8,582,763	7,591,456
73	E.	- 2	Total bad and doubtful debt adjustments	3,616,611	3,066,106

Income statement			In thousands of tolar	
No.	Note	ITEM	31 Dec. 2002	31 Dec. 2001
		1	2	3
1	3.1.	Interest and similar income	6,751,329	4,030,255
2	3.1.	Interest and similar expenses	5,377,067	4,109,403
3	3.1.	Net interest and similar income (1-2)	1,374,262	-79,148
4	3.2.	Income from capital and other investments	1,451,898	2,774,612
4.1		Income from capital investments in associated companies	0	0
4.2		Income from capital investments in non-associated companies	0	40
4.3		Income-dividends from securities and other investments held for trading	1,451,898	2,774,572
5	3.3.	Fees and commissions income	1,733,371	1,463,814
6	3.3.	Fees and commissions expenses	1,078,807	973,352
7	3.3.	Net fees and commissions income (5-6)	654,564	490,462
8	3.4.	Gains from financial transactions	332,931	543,093
9	3.4.	Losses from financial transactions	61,904	171,603
10	3.4.	Net profit from financial transactions (8-9)	271,027	371,490
11	3.5.	Other operating income	34,419	27,656
12	3.6.	Labour costs	1,401,968	1,207,210
		- Gross wages and salaries	996,462	876,949
		- Contributions for social insurance	75,851	64,312
		- Contributions for pension	92,834	80,547
		- Other contributions from gross wages and salaries	74,187	70,129
		- Other labour cost	162,634	115,273
13	3.6.	Cost of material and services	1,052,261	1,152,310
14	3.7.	Depreciation expenses from property, equipment and intangible assets	482,425	394,507
15	3.8.	Other operating expenses	61,880	94,245

No.	Note	ITEM	31 Dec. 2002	31 Dec. 2001
		1	2	3
16	3.9.	Net provisions for bad and doubtful debts and write offs less any recoveries	621,053	609,550
17	3.10.	Net provisions for general banking risks	0	0
18		OPERATING PROFIT (3+4+7+10-12-13-14-15-16-17)	166,583	126,198
19	3.11.	Extraordinary income	1,452	1,012
20	3.11.	Extraordinary expenses	8,894	19,822
21	3.11.	Extraordinary profit (loss) (19-20)	-7,442	-18,810
22		Profit before tax (18+21)	159,141	108,439
23	3.12.	Tax on profit	22,694	0
24	3.12.	Other taxes	56,876	54,220
25		NET PROFIT FOR THE PERIOD (22-23-24)	79,570	54,220

Notes to the financial statements are a part of financial statements and have to be read in conjunction with them.

Not distributed current year profit and prior years profits		In thousands of tolar	
	2002	2001	
Retained earnings	50,000	184,069	
Net profit for the period	79,570	54,220	
Allocation of net profit into reserves by resolution of the Board of directors and Supervisory board	(51,223)	0	
Total not distributed current year profit and prior years profits	78,347	238,289	

Not distributed current year profit and prior years profits from 2001 in total amount of SIT 238,289 thousand was distributed to other reserves in the amount of SIT 182,730 thousand and for rewards for members of the Supervisory Board and employees of the Bank with special authorizations in the amount of SIT 5,559 thousand. Retained earnings therefore amounts to SIT 50,000 thousand at the end of 2002. Net profit for 2002 totals SIT 79,570 thousand. A part of net profit in the amount of SIT 51,223 thousand by resolution of the Board of directors and Supervisory board allocated into reserves. Not distributed current year and prior years profits for 2002 amount to SIT 78,347 thousand (of that retained earnings SIT 50,000 thousand and net profit for 2002 after the allocation into reserves SIT 28,347 thousand).

Capital		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
a) Subscribed capital – ordinary shares	1,103,000	1,103,000	

Basic capital of the Bank is divided into 275,750 regular shares with a nominal value of SIT 4,000.00.

The Republic of Slovenia owns 62%, while Pošta Slovenije owns 38% of shares of Poštna banka Slovenije as at 31 December 2002.

b) Movements in equity within a year

According to the Law on Banking, banks have to have basic capital of a minimum of SIT 1.1 billion.

Statement of changes in equity for the year 2002

In thousands of tolar

Indication ITEM	3	4	5	6	7	8	9	10	11
	Subscribed capital	Equity reserves	Profit reserves	Own shares fund	Retained earnings	General capital revaluation adjustments	Specific capital revaluation adjustments	Net Profit For the period	Total shareholders equity
1 2									
A. BALANCE AT 1 JANUARY 2002	1,103,000	0	576,419	0	184,070	775,465	0	54,220	2,693,174
B. TRANSFERS TO EQUITY	0	0	0	0	0	0	0	79,570	79,570
a) Registration of new capital	0	0	0	0	0	0	0	0	0
b) General capital revaluation adjustments	0	0	0	0	0	0	0	0	0
c) Specific capital revaluation adjustments	0	0	0	0	0	0	0	0	0
d) Net profit for the period	0	0	0	0	0	0	0	79,570	79,570
e) Loss settlement with a portion of profit	0	0	0	0	0	0	0	0	0
f) Other increases	0	0	0	0	0	0	0	0	0
C. TRANSFERS WITHIN EQUITY	0	0	233,953	0	-128,510	0	0	-105,443	0
a) Allocation of net profit into profit reserves	0	0	233,953	0	-128,510	0	0	-105,443	0
b) Loss settlement with a portion of net profit for the period	0	0	0	0	0	0	0	0	0
c) Loss settlement with reserves from profit and other capital items	0	0	0	0	0	0	0	0	0
d) Transfer of capital items to own shares fund	0	0	0	0	0	0	0	0	0
e) Liquidation of treasury shares fund with a return to original capital items	0	0	0	0	0	0	0	0	0
f) Merger of capital items except legal reserves and specific capital revaluation into new definition of basic equity capital	0	0	0	0	0	0	0	0	0
g) Dividends paid as shares	0	0	0	0	0	0	0	0	0
h) Other transfers within equity	0	0	0	0	0	0	0	0	0
D. TRANSFERS FROM EQUITY	0	0	0	0	-5,559	0	0	0	-5,559
a) Dividends paid	0	0	0	0	-5,559	0	0	0	-5,559
b) Repayment of equity	0	0	0	0	0	0	0	0	0
c) Decrease of specific capital revaluation due to impairment of assets	0	0	0	0	0	0	0	0	0
d) Transfer of specific capital revaluations into operating income	0	0	0	0	0	0	0	0	0
e) Transfer of specific capital revaluations into financial income	0	0	0	0	0	0	0	0	0
f) Other decreases	0	0	0	0	0	0	0	0	0
E. BALANCE AT 31 DECEMBER 2002	1,103,000	0	810,372	0	50,000	775,465	0	28,347	2,167,184

Statement of changes in equity for the year 2001

In thousands of tolar

Indi- cation ITEM	3	4	5	6	7	8	9	10	11	
	Subscribed capital	Equity reserves	Profit reserves	Own shares fund	Retained earnings	General capital revaluation adjustments	Specific capital revaluation adjustments	Net Profit For the period	Total shareholders equity	
1	2	3	4	5	6	7	8	9	10	11
A.	BALANCE AT 1 JANUARY 2001	1,098,000	0	490,884	0	179,978	65,2710	47,826	2,469,398	
B.	TRANSFERS TO EQUITY	5,000	0	37,710	0	12,042	122,755	54,220	231,727	
a)	Registration of new capital	5,000	0	0	0	0	0	0	5,000	
b)	General capital revaluation adjustments	0	0	37,710	0	12,042	122,755	0	172,507	
c)	Specific capital revaluation adjustments	0	0	0	0	0	0	0	0	
d)	Net profit for the period	0	0	0	0	0	0	54,220	54,220	
e)	Retained earnings	0	0	0	0	0	0	0	0	
f)	Other increases	0	0	0	0	0	0	0	0	
C.	TRANSFERS WITHIN EQUITY	0	0	47,826	0	0	0	-47,826	0	
a)	Allocation of net profit into profit reserves	0	0	47,826	0	0	0	-47,826	0	
b)	Loss settlement with a portion of net profit for the period	0	0	0	0	0	0	0	0	
c)	Loss settlement with profit reserves and other capital items	0	0	0	0	0	0	0	0	
d)	Transfer of capital items to own shares fund	0	0	0	0	0	0	0	0	
e)	Liquidation of treasury shares fund with a return to original capital items	0	0	0	0	0	0	0	0	
f)	Merger of capital items except legal reserves and specific capital revaluation into new definition of basic equity capital	0	0	0	0	0	0	0	0	
g)	Dividends paid as shares	0	0	0	0	0	0	0	0	
h)	Other transfers within equity	0	0	0	0	0	0	0	0	
D.	TRANSFERS FROM EQUITY	0	0	0	0	-7,951	0	0	-7,951	
a)	Dividends paid	0	0	0	0	-7,951	0	0	-7,951	
b)	Repayment of equity	0	0	0	0	0	0	0	0	
c)	Decrease of specific capital revaluation due to impairment of assets	0	0	0	0	0	0	0	0	
d)	Transfer of specific capital revaluations into operating income	0	0	0	0	0	0	0	0	
e)	Transfer of specific capital revaluations into financial income	0	0	0	0	0	0	0	0	
f)	Other decreases	0	0	0	0	0	0	0	0	
E.	BALANCE AT 31 DECEMBER 2001	1,103,000	0	576,420	0	184,069	775,465	54,220	2,693,174	

Statement of changes in equity		In thousands of tolar	
Indication	ITEM	AMOUNT	
		2002	2001
1	2	3	4
A.	BALANCE AT 1 JANUARY 2002	2,693,174	2,469,398
B.	TRANSFERS TO EQUITY	79,569	231,727
a)	Registration of new capital	0	5,000
b)	General capital revaluation adjustments	0	172,507
c)	Specific capital revaluation adjustments	0	0
d)	Net profit for the period	79,569	54,220
e)	Loss settlement with a portion of profit	0	0
f)	Other increases	0	0
C.	TRANSFERS WITHIN EQUITY	0	0
a)	Allocation of net profit into profit reserves	0	0
b)	Loss settlement with a portion of net profit for the period	0	0
c)	Loss settlement with profit reserves and other capital items	0	0
d)	Transfer of capital items to own shares fund	0	0
e)	Liquidation of own shares fund with a return to original capital items	0	0
f)	Merger of capital items except legal reserves and specific capital revaluation into new definition of basic equity capital	0	0
g)	Dividends paid as shares	0	0
h)	Other transfers within equity	0	0
D.	TRANSFERS FROM EQUITY	-5,559	-7,951
a)	Dividends paid	-5,559	-7,951
b)	Repayment of equity	0	0
c)	Decrease of specific capital revaluation due to impairment of assets	0	0
d)	Transfer of specific capital revaluations into operating income	0	0
e)	Transfer of specific capital revaluations into financial income	0	0
f)	Other decreases	0	0
E.	BALANCE AT 31 DECEMBER 2002	2,767,184	2,693,174

Statement of movements in equity by components of equity		In thousands of tolar	
Indication	ITEM	AMOUNT	
		2002	2001
1	2	3	4
a)	Subscribed capital	1,103,000	1,103,000
b)	Equity reserves	0	0
c)	Profit reserves	810,372	576,420
	- Own shares fund	0	0
d)	Retained earnings	50,000	184,069
e)	General capital revaluation adjustments	775,465	775,465
f)	Specific capital revaluation adjustments	0	0
g)	Net profit for the period	28,347	54,220
h)	Total capital	2,767,184	2,693,174

c) General capital revaluation adjustments

Because the EUR exchange rate increased by less than 5.5% in the previous calendar year, general revaluation was not performed.

If it were performed, it would have the following influence on the financial result:

General revaluation for maintaining the capital in constant purchasing power units (in EUR)

The effect of such revaluation would amount to SIT 107,646 thousand, because the exchange rate of EUR increased from 221,4095 (middle exchange rate of the Bank of Slovenia as at 31 December 2001) to 230,2673 (middle exchange rate of the Bank of Slovenia as at 31 December 2002).

Profit before tax would therefore amount to mere SIT 51,495 thousand and net profit after tax to SIT 25,748 thousand.

General revaluation on the basis of the consumer price index

The effect of such revaluation would amount to SIT 199,853 thousand, because the consumer price index increased by 7.2%.

The Bank would, in such a case, have a loss in the amount of SIT 40,712 thousand.

Cash flow statement		In thousands of tolar	
Note		AMOUNT	
		2002	2001
1	2	3	4
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	Inflows from operating activities	8,061,913	6,781,780
	Interest and similar income	6,050,205	5,292,762
	Fees and commissions income	1,716,848	1,340,036
	Recoveries from loans previously written off	3,204	915
	Income from capital and other investments	0	0
	Net profit from financial transaction	271,027	64,260
	Other operating income	20,629	83,807
b)	Outflows from operating activities	6,686,766	4,980,841
	Interest and similar expenses	3,027,378	1,978,220
	Fees and commissions expenses	1,078,491	790,820
	Employee costs	1,401,968	1,098,049
	Other operating expenses	1,116,337	1,040,904
	Taxation paid	62,592	72,848
	Operating income before changes in operating assets and liabilities	1,375,147	1,800,939
c)	(Increase)/Decrease in operating assets	4,201,422	3,061,327
	Net (increase)/decrease in value of state bonds and other securities for rediscount with the central bank	0	0
	Net (increase)/decrease in loans to banks	600,000	0
	Net (increase)/decrease in loans to customers	3,109,566	2,825,938
	Net (increase)/decrease in securities held for trading	0	0
	Net (increase)/ decrease in other operating expenses	491,856	235,389
d)	Increase/(decrease) in operating liabilities	11,985,427	11,449,947
	Net increase/(decrease) in deposits from banks	(1,801,293)	540,689
	Net increase/(decrease) in deposits from other customers	13,576,443	11,791,082
	Net increase/(decrease) in other operating liabilities	210,277	(881,824)
e)	Net inflow from operating activities (a+c-b+d) or Net outflow from operating activities (b+d-a+c)	9,159,152	10,189,559

B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	Inflows from investing activities	13,337,303	20,003,912
	Interest from investing activities	1,436,518	0
	Income from capital and other investing activities	15,379	16,110
	Sale of debt securities	11,884,276	19,980,971
	Sale of investments in subsidiaries, associated companies and other companies	0	0
	Sale of property, equipment and tangible assets	1,130	6,831
b)	Outflows from investing activities	14,684,364	30,556,787
	Expenses from investing activities	0	0
	Purchase of debt securities	14,381,876	29,931,294
	Purchase of investments in subsidiaries, associated companies and other companies	(8,965)	(6,950)
	Purchase of property, equipment and tangible assets	311,453	632,443
c)	Net inflow (a-b) or net outflow from investing activities (b-a)	(1,347,061)	(10,552,875)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	Inflows from financing activities	0	2,380,357
	Other income from financing activities	0	0
	Borrowings from bank and other customers	0	0
	Increase in debt securities and subordinated liabilities (except for revaluation)	0	2,375,357
	Issue of new shares	0	5,000
	Sale of own shares	0	0
b)	Outflows from financing activities	305,559	7,951
	Interests and other expenses from financing activities	0	0
	Dividends paid	5,559	7,951
	Debt repayment	0	0
	Decrease in debt securities and subordinated liabilities (except for revaluation)	300,000	0
	Purchase of own shares	0	0
c)	Net inflow (a-b) or net outflow from financing activities (b-a)	(305,559)	2,372,406
	Effect of exchange rate changes on cash and cash equivalents	13,171	11,053
D.	CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	20,058,681	12,538,978
	x) Financial result for the period	7,506,532	2,009,090
	+		
	y) Cash at the beginning of period	12,538,978	10,518,835

Notes to the financial statements are a part of financial statements and have to be read in conjunction to them.

Notes to the Financial Statements

1. Accounting Policies, Precepts and Methods of Evaluation of Balance Items

The Bank's financial statements for 2002 have been prepared in accordance with the Law on Commercial Companies, Slovenian Accounting Standards, especially Standard 31 – accounting solution in banks, which is in all important aspects in agreement with International Financial Reporting Standards and the Bank of Slovenia's regulations. Information in financial statements are based on bookkeeping documents and books of account, administered in accordance with the Slovenian Accounting Standards. When preparing financial statements, basic accounting assumptions: going concern, consistency, and origination of business event. With accounting policies, basic accounting principles are considered: prudence, substance over form, and materiality.

Data for 2001 is sensibly shown by now valid schemes of balance sheet, income statement and cash flow statement, according to the new Accounting standards.

The most important accounting policies of the Bank are:

a) Assets and Liabilities in Foreign Currencies

Assets and liabilities in foreign currencies are converted into the tolar equivalent at the middle exchange rate of the Bank of Slovenia as at the date of the balance sheet. Foreign exchange gains and losses, that arise from the calculation, are included in the income statement through interest income / expenses.

b) Interest, Fees and Commissions

Interests are calculated and paid in accordance with regulations or with agreement, concluded between creditor and debtor. Interests are ascribed to the main loan, if that is foreseen in a contract. Real interests and revaluation interests are included directly into the income statement.

In 2002 the Bank was revaluating only with contractual revaluation rates and included the effects of revaluation into interest income / expenses or revaluation income / expenses:

- Tolar receivables and liabilities with banks and others were revaluated with basic interest rate (TOM), published by the Bank of Slovenia;
- Investments into debt securities were revaluated with a revaluation rate, that is used for revaluation of an individual investment, according to the prospectus of the issuer;
- Liabilities for issued securities are revaluated according to the stipulations in the prospectus;
- Tolar receivables and liabilities with a foreign exchange clause are revaluated accordingly to changes of the middle exchange rate of the Bank of Slovenia.

Revaluation result is altogether included into the income statement of the current year. Assets and liabilities with maturity of up to one year are not revaluated, but bear interest at a nominal interest rate and interests are included directly into the income statement. Same goes for some types of cash certificates of the Bank of Slovenia.

Fees and commissions are comprised of revenues from given tolar loans and guarantees and from administering payment transactions in the country and with foreign countries (international postal orders). Within these items, revenues from payment traffic commissions, that Pošta Slovenije performs on behalf of the Bank, are also shown.

Income statement is formed on the basis of the prudential principle that only loans from the customers classified in group A and B are taken into account (given that accounts receivable were not classified into group B because of mortgages), while income from customers assigned C, D and E rating, is included only when the payment is actually received.

c) Investments in Capital

Investments in capital are accounted for using the equity method, because the Bank currently does not have subsidiaries or jointly controlled companies.

Investments in shares have been, until 2001, accounted for by revaluated purchase value, while in 2002 revaluation is made according to the new Accounting standards.

Securities are as at the day of the balance sheet shown at average purchase value or at fair value, whichever is lower. Fair value of listed securities is monthly determined on the Stock market. Fair value of unlisted securities is determined once per year on the basis of audited (if the company is required to be audit) or non-audited book value by issuer. The Bank does not mark to market when the market value exceeds the purchase price. Impairment is shown in the income statement among the revaluation expenses. As far impairment elimination is considered, the Bank only eliminates impairments up to the average purchase value and only for stocks. The effect of price growth above the average purchase price is evident only at sale.

Interest and other income from investments in securities are shown in the income statement as income for the period, considering the strategy of investing only in A securities.

The Bank trades with securities through different broker companies. Most of the securities in the Bank's portfolio are issued in immaterial form and subscribed on the Bank's account at KDD.

The Bank is evaluating the securities in its portfolio monthly. Portfolio of one type of securities is accounted for by average prices.

Cash certificates of the Bank of Slovenia are accounted for by discounted or purchase value. Interests are accrued and recorded following the principle of origination of business event, in accrued interest accounts.

Treasury bills are accounted for by purchase values or by prices, accepted on auctions.

Bonds are accounted for by market value of purchase value, whichever is lower, or by values that are monthly published by the Ministry of Finance.

For bonds, where the revaluation is added to the principle, revaluated principle is periodically compared to the purchase value and if the latter is greater, the difference is added. Interests are accrued and recorded in accrued interest accounts.

For bonds, where the revaluation is not added to the principle, interests and revaluation are accrued and recorded in accrued interest accounts.

d) Given and Received Loans

Given loans are in the balance sheet shown at the value of unpaid principle, less adjustments, formed according to the classification of loans or customer. In case, when interests are added to the principle, given and received loans are shown with added interest until the last period, for which the addition, based on contract, was made.

The portion of long-term given or received loans, that are due within a year after the date of the balance sheet, is shown as short-term – current maturity.

e) Accrued and Deferred Items

Among accrued and deferred items the Bank presents values of accrued interest, accruals by derivative financial instruments, receivables / liabilities, deferred costs, accrued revenues, and other accruals and deferrals of up to one year.

f) Policy for Forming Adjustments of Values and Provisions

The Bank forms adjustments of values and provisions in accordance with the Bank of Slovenia's Regulation on the Classification of On-Balance Sheet Assets and Off-Balance Sheet Items of Banks and Savings Banks. The Bank forms:

- Specific provisions on accounts receivables, classified in group A in the amount of 1% of the value of receivable. Provisions are presented among liabilities on the balance sheet;
- Specific provisions on accounts receivables, classified in groups from B to E. Specific provisions for balance sheet receivables are shown as value adjustments, while specific provisions on off-balance sheet receivables are shown among liabilities;
- Provisions for country risks;
- Provisions for settlement by groups.

Provisions for general banking risks are intended to cover potential losses due to risks that arise from the entire Bank's operations. They are only used when risks that could not be foreseen, emerge, and for which no other provisions formed.

Receivables are written-off in cases of court settlements, bankruptcy, liquidation, and other court procedures.

g) Property and Equipment and Intangible Assets

For fixed assets, purchase values and allowances as cumulative write-offs from depreciation, are separately recorded in accounting books. In the balance sheet, however, they are shown as net value of the difference between purchase value and accumulated depreciation.

Purchase value of property and equipment comprises their purchase price and all related costs, needed to put them to use.

Depreciation is calculated individually, using proportional method and accepted depreciation rates, defined in the Statute on depreciation of the Bank's fixed assets. Used depreciation rates were as follows:

	In percentage	
	2002	2001
Computers	33.3	33.3
Other equipment	12.5-33.3	12.5-33.3
Intangible assets	25.0	25.0
Real estate	5.0-14.3	5.0-14.3

Fixed assets in construction and those, not in use, are not depreciated.

Only if net value in the books is higher than the replacement value, can the Bank impair assets to the level of replacement value. The value of impairment is increasing revaluation expenses.

h) Value Added Tax, Tax on Profit, and Special Tax on Total Assets of Banks and Savings Banks

Since, according to the Law on value added tax, 99% of the Bank's operations are tax-free activities, the Bank can only deduct 1% of incoming VAT and only for the invoices, for which VAT may be deducted.

The Bank computes and pays 25-% tax on profit from taxable base, determined in accordance with the Law on tax from profit of legal persons.

At its computation for tax on profit for 2002, the Bank took tax reliefs for investments in fixed assets and provisions for investments into account. At the same time, the Bank increased taxable base for excess costs, which are not recognized for tax purposes, as well as for the tax relief on sold fixed assets, accounted for in the previous years.

On the basis of the Regulation on total assets of banks and savings banks, the Bank in 2002 also computed the special tax on total assets of banks and savings banks, which, together with the tax on profit in 2002, accounted for 50% of net income before distribution.

i) Basic Capital, Reserves, and Revaluation Adjustment of Capital

Total capital of the Bank is compulsory divided into subscribed capital, capital reserves, reserves from profit, transferred net profit, net profit for the period, and revaluation adjustment of capital.

Revaluation of capital is a change in its book value. It is done at the end of the financial year or during the financial year. General revaluation of capital is made because of changed purchase power of the home country currency with the intention of preserving real value. To all the components of capital, amounts that correspond to the change of home currency's purchase power are added, if the exchange rate of euro to tolar is increased by more than 5.5%.

Special revaluation adjustment of capital appears because of increase of the value of property and equipment, and long-term and short-term financial investments as well as because of impairment of long-term and short-term loans.

j) Off-balance Sheet Assets and Liabilities

Approved guarantees, letters of credit, and lines of credit are shown at the value of undrawn amount. Securities in the Bank's depot are shown at nominal value. Assets, received collaterals for receivables, are shown among off balance sheet items at value on 31 December 2002.

Foreign exchange amounts among off balance sheet items were shown in a tolar counter value with the middle exchange rate of the Bank of Slovenia.

k) Post Balance Sheet Events That Influence the Financial Statements

From the date of the balance sheet until the date of Annual report, no circumstances have arisen, nor events happened, that would demand adjustments of the financial statements, additional notes to the financial statements, or explanations to shareholders.

2. Notes to the Balance Sheet

2.1. Cash in Hand and Balances With the Central Bank

The amount is comprised of:		In thousands of tolar			
	31 Dec. 2002		31 Dec. 2001		
	In SIT	In foreign currency	In SIT	In foreign currency	
Cash					
- Cash in hand	2,149,114	144,511	1,702,209	597,390	
- Cash in transit	0	27,253	0	178,969	
Deposits with the Central Bank:					
- Settlement account	1,543,999	0	1,674,887	0	
- Other deposits	110,000	0	4,790,000	0	
TOTAL	3,803,113	171,764	8,167,096	776,359	
TOTAL	3,974,878		8,943,455		

Obligatory reserve is calculated as at 31 December 2002 in accordance with the Bank of Slovenia's Regulation on obligatory reserves (Ur.l. RS 36/02). Assets of the obligatory reserve are included in the information on settlement account at the Bank of Slovenia. Average amount of calculated obligatory reserve according to the Resolution for December amounts to SIT 3,359,950 thousand. In this period the Bank achieved SIT 4,011,293 thousand of obligatory reserve, on average, which is by SIT 651,343 more than required.

Under the item of other deposits at the Bank of Slovenia in the amount of SIT 110,000 thousand, (SIT 4,790,000 thousand as at 31 December 2001), there is an overnight deposit recorded.

2.2. Loans to Banks

a) Maturity analysis:		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
Demand deposits			
In foreign currency			
- Domestic banks	468,461	164,002	
Short-term loans			
- In tolar	1,700,000	1,615,000	
- In foreign currency	0	95,266	
TOTAL	2,168,461	1,874,268	

b) Geographical analysis		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
Slovenia	2,168,461	1,874,268	

c) Analysis of movements							In thousands of tolar
	2002			2001			
	Demand deposits	Short-term loans		Demand deposit	Short-term loans		
	In foreign currency	In SIT	In foreign currency	In foreign currency	In SIT	In foreign currency	
Balance at 1 January	164,002	1,615,000	95,266	81,439	5,080,000	0	
Increase:							
- Loans made	10,108,122	190,360,000	0	3,406,541	133,474,000	95,099	
- Interest added to prin.	0	0	0	0	0	0	
- Exchange differences	2,973	0	16	6,257	0	167	
Decrease:							
- Repayments	(9,806,635)	(190,275,000)	(95,282)	(3,330,235)	(136,939,000)	0	
Balance at 31 December	468,461	1,700,000	0	164,002	1,615,000	95,266	
TOTAL	2,168,461			1,874,268			

2.3. Loans and Advances to Customers

a) Analysis by type of customer:					In thousands of tolar
	31 Dec. 2002		31 Dec. 2001		
	Short-term	Long-term	Short-term	Long-term	
In tolar					
Business	16,920,255	2,095,620	16,809,709	360,588	
Government	609,418	692,114	195,573	553,122	
Other financial org.	2,082,870	0	1,331,806	0	
Non-profit service providers	15,146	3,706	11,152	0	
Household	6,274,479	4,057,774	6,019,472	3,944,146	
- Entrepreneurs	1,199,280	266,230	1,208,208	135,070	
- Citizens	5,075,199	3,791,544	4,811,264	3,809,076	
In foreign currency					
Business	0	0	0	0	
TOTAL	25,902,168	6,849,214	24,367,712	4,857,856	
Allowance	(2,198,190)	(345,404)	(1,768,411)	(318,489)	
TOTAL	23,703,978	6,503,810	22,599,301	4,539,368	
TOTAL	30,207,788		27,138,669		

As at 31 December 2002 the Bank had receivables from given guarantees in the amount of SIT 128,459 thousand, for which it formed an allowance in the amount of SIT 117,657 thousand, of which additionally formed allowance in 2002 totalled SIT 4,777 thousand.

As at 31 December 2002 the Bank had short-term redeemed receivables in the amount of SIT 42,030 thousand (as at 31 December 2001 SIT 74,334 thousand), which it discounted in the amount of SIT 4,086 thousand (as at 31 December 2001 SIT 13,811 thousand).

Among short-term loans, there is a portion of long-term loan with current maturity in the amount of SIT 2,955,464 thousand (as at 31 December 2002 SIT 2,839,881 thousand).

b) Analysis of movements		In thousands of tolar			
	2002		2001		
	Short-term loans	Long-term loans	Short-term loans	Long-term loans	
Balance at 1 January	22,599,301	4,539,368	19,638,481	4,794,035	
Increase:					
- loans made	95,624,080	6,671,071	65,944,883	3,511,987	
- interest added to principal	387,955	47,533	173,120	0	
- revaluation based on prices and rates increases	16,086	11,776	178,262	57,575	
- current maturity of long-term loans	3,584,388	0	3,296,615	0	
Decrease:					
- repayments	(98,078,050)	(1,154,637)	(66,203,649)	(447,815)	
- allowance	(429,782)	(26,913)	(428,411)	(79,799)	
- current maturity of long-term loans	0	(3,584,388)	0	(3,296,615)	
Balance at 31 December	23,703,978	6,503,810	22,599,301	4,539,368	
TOTAL	30,207,788		27,138,669		

c) Guaranteed loans		In thousands of tolar	
First-rate insurance for loans to non-bank customers:	31 Dec. 2002	31 Dec. 2001	
- Republic of Slovenia guarantees	740,856	669,375	
- Bank deposits	1,529,448	2,769,551	
TOTAL	2,270,304	3,438,926	

Loans with first-rate insurances are classified into A class.

2.4. Securities

2.4.1. Debt Securities not Held for Trading

a) Analysis by type of securities		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
CASH CERIFICATE OF THE BANK OF SLOVENIA	36,098,915	12,000,743	
- In tolar	35,779,621	11,973,402	
- In foreign currency	319,294	27,341	
BONDS	8,214,255	11,791,399	
- Bonds of the Republic of Slovenia	7,804,411	11,397,231	
RS 10	595,711	682,178	
RS 12	0	480,000	
RS 15 - series I	0	230,316	
RS 15 - series E	0	3,170,563	
RS 15 - series H	0	1,980,184	
RS 16	198,000	198,000	
RS 17	493,690	493,690	
RS 19	2,175,800	2,175,800	
RS 20	497,000	497,000	
RS 22	1,489,500	1,489,500	
RS 45	235,470	0	
RS 46	941,880	0	
RS 47	1,177,360	0	
- <i>In SIT with foreign currency clause</i>	<i>86,951</i>	<i>83,606</i>	
- RS 13	86,951	83,606	
- Bonds in SIT with foreign currency clause	322,892	310,562	
- BTC	518	589	
- SZB4	322,374	309,973	
TREASURY BILLS	0	6,139,152	
- EZ031	0	258,440	
- EZ032	0	477,259	
- EZ033	0	1,740,130	
- EZ034	0	2,138,454	
- TZM43	0	976,000	
- DZ08	0	229,862	
- SZM12	0	169,387	
- DZ05	0	642	
- DZ06	0	71,207	
- DZ07	0	77,771	
TOTAL	44,313,170	29,931,294	

b) Analysis of securities classified into listed and unlisted		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
CASH CERTIFICATE-UNLISTED	36,098,915	12,000,743	
Bank of Slovenia in tolar	35,779,621	11,973,402	
Bank of Slovenia in foreign currency	319,294	27,341	
TREASURY BILLS - UNLISTED	0	6,139,152	
- EZ031	0	258,440	
- EZ032	0	477,259	
- EZ033	0	1,740,130	
- EZ034	0	2,138,454	
- TZM43	0	976,000	
- DZ08	0	229,862	
- SZM12	0	169,387	
- DZ05	0	642	
- DZ06	0	71,207	
- DZ07	0	77,771	
BONDS			
Listed	5,772,640	11,791,399	
<i>In SIT</i>	<i>5,685,171</i>	<i>11,397,231</i>	
RS 10	595,711	682,178	
RS 12	0	480,000	
RS 15 - series I	0	230,316	
RS 15 - series E	0	3,170,563	
RS 15 - series H	0	1,980,184	
RS 16	198,000	198,000	
RS 17	493,690	493,690	
RS 19	2,175,800	2,175,800	
RS 20	497,000	497,000	
RS 22	1,489,500	1,489,500	
RS 45	235,470	0	
<i>In SIT with foreign currency clause</i>	<i>87,469</i>	<i>394,168</i>	
BTC1	518	589	
RS13	86,951	83,606	
SZB4	0	309,973	
Unlisted	2,441,614	0	
<i>In SIT</i>	<i>2,119,240</i>	<i>0</i>	
RS 46	941,880	0	
RS 47	1,177,360	0	
<i>In SIT with foreign currency clause</i>	<i>322,374</i>	<i>0</i>	
SZB4	322,374	0	
TOTAL	44,313,170	29,931,294	

c) Movement of non-marketable securities			In thousands of tolar
	2002	2001	
Balance at 1 January	29,931,294	19,980,971	
Increase	102,622,241	99,118,855	
Sale	(88,240,365)	(69,187,561)	
Revaluation	0	0	
Balance at 31 December	44,313,170	29,931,294	

The Bank forfeited bonds of the Bank of Slovenia in the amount of SIT 100,000 thousand for insurance of long-term loan in the amount of EUR 536,856,50.

The portfolio of securities was on 30 September 2002 divided into those, held for trading, and those that are not held for trading.

d) Market value			In thousands of tolar
	31 Dec. 2002	31 Dec. 2001	
Book-keeping value	44,313,170	29,931,294	
Market value	44,399,637	30,276,753	
Excess of book-keeping value	86,467	345,459	

2.4.2. Securities Held for Trading

a) Analysis by type of securities			In thousands of tolar
	31 Dec. 2002	31 Dec. 2001	
BONDS	1,222,528	347,009	
- Republic of Slovenia			
- RS 24	198,220	198,220	
- RS 25	148,789	148,789	
- RS 27	120,660	0	
- RS 28	129,230	0	
- RS 37	200,800	0	
- RS 40	60,753	0	
- RS 42	264,076	0	
- RS 43	100,000	0	
TREASURY BILLS	366,500	0	
- DZ12	366,500	0	
SHARES IN SIT	1,042,039	1,374,246	
- banks	157,191	83,729	
- other issuers	884,848	1,290,517	
TOTAL	2,631,066	1,721,255	

b) Analysis of securities classified into listed and unlisted		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
SHARES	1,042,039	1,374,246	
Listed	532,883	831,790	
Petrol	38,533	231,192	
Gorenje	0	329,492	
Kompas mejni turistični prehod	87,623	0	
Pivovarna Laško	35,874	35,874	
Krka	178,350	38,186	
Probanka - advanced	116,175	1,713	
Sava	4,980	4,971	
Mercator	12,112	14,399	
Kolinska	701	1,614	
Lek	0	53,559	
Luka Koper	9,760	9,738	
Istrabenz	7,132	7,132	
Droga Portorož	15,845	15,845	
Infond-Zlat	0	2,450	
Infond-holding	1,225	0	
Infond-ID	591	0	
Infond-PID	526	0	
Triglav steber 1	20,933	45,540	
Arkada 1	0	20,000	
Aktiva avant finančna družba	0	12,415	
Aktiva avant PID	0	7,382	
Terme Čatež	0	255	
Pokojninski boni	0	33	
Nacionalna finančna družba	2,523	0	
Unlisted	509,156	542,456	
A Banka	32,855	32,855	
Banka Celje	7,134	48,134	
Perutnina Ptuj	183,265	183,265	
Telekom	79,500	66,300	
Vino Brežice	155,560	155,560	
Gruda - Jurmes	49,500	55,000	
Pivka Perutnina	315	315	
Probanka - regular	1,027	1,027	
TREASURY BILLS - listed	366,500	0	
DZ-12	366,500	0	
BONDS	1,222,528	347,009	
Listed	1,222,528	347,009	
RS 24	198,220	198,220	

RS 25	148,789	148,789
RS 27	120,660	0
RS 28	129,230	0
RS 37	200,800	0
RS 40	60,753	0
RS 42	264,076	0
RS 43	100,000	0
TOTAL	2,631,066	1,721,255

The Bank forfeited shares of VINO Brežice in the amount of SIT 155,560 thousand for the insurance of deposits, received from Slovenska izvozna družba (Slovene export company).

c) Movement of marketable securities		In thousands of tolar	
	2002	2001	
Balance at 1 January	1,721,255	1,374,246	
Increase	2,223,813	1,147,241	
Sale	(1,321,597)	(739,182)	
Revaluation	7,595	(61,050)	
Balance at 31 December	2,631,066	1,721,255	

d) Market value		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
Book-keeping value	2,631,066	1,721,255	
Market value	2,909,198	1,770,340	
Excess of book-keeping value	278,132	49,085	

2.5. Investments in Subsidiaries, Associated and Jointly Controlled Companies

2.5.1. Analysis by Type of Investment

	In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001
- Bankart, Ljubljana	6,553	6,553
- City, Maribor	5,132	5,132
- Druga penzija, pokojninska družba, Maribor	31,755	40,720
TOTAL	43,440	52,405

Together with other Slovene banks, the Bank established Bankart company – processing of payment instruments, Ljubljana. The investment is shown at a revaluated purchase value. Share of Poštna banka Slovenije in the capital of Bankart accounts for 1.02%.

In 2000 the Bank acquired capital shares of two pension companies:

- On 19 April 2000 the Bank paid in 1,200 shares of Prva pokojninska družba, Ljubljana in the amount of SIT 12,000 thousand;
- On 25 October 2000 the Bank paid in 4,000 shares of pension company Druga penzija, Maribor in the amount of SIT 40,000 thousand.

In 2001 the Bank:

- On 29 May 2001 acquired share in company City Maribor in the amount of SIT 5,000 thousand;
- On 07 May 2001 sold the entire share of Prva pokojninska družba, Ljubljana.

2.5.2. Analysis of Movement

In thousands of tolar

	2002	2001
Balance at 1 January	52,405	59,355
- investments made	0	5,000
- revaluation	0	1,737
- revaluation 2000	0	(527)
- sale	0	(13,160)
- revaluation (adjustments)	(8,965)	0
Balance at 31 December	43,440	52,405

According to the financial statements of the pension company Druga penzija, the Bank in 2002 impaired the investment in the amount of SIT 8,965 thousand.

2.6. Analysis of Movement of Individual Balance Sheet Items

In thousands of tolar

a) Analysis and movement of provisions - allowances by type of receivables and investments			
	2002		
	Loans to the customers	Other receivables	Total
Balance at 1 January	2,086,899	251,648	2,338,547
Percentage of the total receivables (in %)	7.1	18.7	7.7
Formed during the year	1,152,726	94,280	1,247,006
Released during the year	(696,031)	(126,787)	(822,818)
Balance at 31 December	2,543,594	219,141	2,762,735
Percentage of the total receivables (in %)	7.8	18.8	8.1

Suspended income 2002	Interests	Commissions	Other	Total
Balance at 1 January	714.170	12.801	588	727.559
Percentage of the total receivables (in %)	81.9	12.7	0.04	31.4
Formed during the year	278.476	6.696	1.689	286.861
Released during the year	(155.657)	(4.316)	(571)	(160.544)
Balance at 31 December	836.989	15.181	1.706	853.876
Percentage of the total receivables (in %)	81.0	13.2	0.15	36.9

2001					In thousands of tolar				
	Loans to the customers		Securities		Other receivables		Total		
Balance at 1 January	1,578,688		5,468		235,125		1,819,281		
Percentage of the total receivables (in %)	6.1		0.03		21.2		4.0		
Formed during the year	934,520		16,811		96,877		1,048,208		
Disposed during the year	(426,309)		(2,772)		(80,354)		(509,435)		
Balance at 31 December	2,086,899		19,507		251,648		2,358,054		
Percentage of the total receivables (in %)	7.1		0.06		18.7		3.8		

b) Analysis of unpaid and overdue receivables:					In thousands of tolar				
	2002								
	Loans to banks	Loans to others	Interests	Other					
Balance at 1 January	0	3,717,264	668,237	275,714					
Percentage of the total receivables (in %)	-	12,7	76,7	18,5					
Balance at 31 December	0	2,922,946	846,928	309,906					
Percentage of the total receivables (in %)	-	8.9	81.9	18.5					

2001					In thousands of tolar				
	Loans to banks	Loans to others	Interests	Other					
Balance at 1 January	0	1,786,646	398,519	258,730					
Percentage of the total receivables (in %)	-	6.88	63.00	21.55					
Balance at 31 December	0	3,717,264	668,237	275,714					
Percentage of the total receivables (in %)	-	12.7	76.7	18.5					

2.7. Property and Equipment, Intangible Assets

In thousands of tolar

	Land and buildings	Computers	Other equipment	Construction in progress	Total property and equipment	Intangible assets	TOTAL
Cost							
Balance at 1 Jan. 2002	1,124,072	832,250	476,042	8,514	2,440,878	689,975	3,130,853
Increases	0	0	0	187,534	187,534	106,416	293,950
Transfer from construction in progress	13,207	149,519	31,974	-194,700	0	0	0
Decreases	0	-12,462	-9,876	0	-22,338	-5,564	-27,902
Decreases due to impairment	-10,689	0	0	0	-10,689	0	-10,689
Balance at 31 Dec. 2002	1,126,590	969,307	498,140	1,348	2,595,385	790,827	3,386,212
Accumulated depreciation							
Balance at 1 Jan. 2002	81,452	522,463	216,748	0	820,663	207,029	1,027,692
Depreciation	53,585	197,417	86,959	0	337,961	136,919	474,880
Increases	0	0	0	0	0	20,239	20,239
Decreases	0	-12,462	-9,448	0	-21,910	-5,564	-27,474
Decreases due to impairment	-3,144	0	0	0	-3,144	0	-3,144
Balance at 31 Dec. 2002	131,893	707,418	294,259	0	1,133,570	358,623	1,492,193
Net value at 1 Jan. 2002	1,042,620	309,787	259,294	8,514	1,620,215	482,946	2,103,161
Net value at 31 Dec. 2002	994,697	261,889	203,881	1,348	1,461,815	432,204	1,894,019

In thousands of tolar

	Land and buildings	Computers	Other equipment	Construction in progress	Total property and equipment	Intangible assets	TOTAL
Cost							
Balance at 1 Jan. 2001	547,339	582,481	347,576	474,214	1,951,610	399,437	2,351,047
Increases	0	0	165	389,456	389,621	282,087	671,708
Transfer from construction in progress	516,666	224,376	126,914	-867,956	0	0	0
Decreases	0	-6,369	-23,407	0	-29,776	-14,501	-44,277
Revaluation	60,067	31,762	24,794	12,800	129,423	22,952	152,375
Balance at 31 Dec. 2001	1,124,072	832,250	476,042	8,514	2,440,878	689,975	3,130,853
Accumulated depreciation							
Balance at 1 Jan. 2001	32,604	329,500	145,769	0	507,873	126,901	634,774
Depreciation	43,965	176,872	76,500	0	297,337	82,381	379,718
Decreases	0	-4,743	-16,914	0	-21,657	-11,298	-32,955
Revaluation	4,883	20,834	11,393	0	37,110	9,045	46,155
Balance at 31 Dec. 2001	81,452	522,463	216,748	0	820,663	207,029	1,027,692
Net value at 1 Jan. 2001	514,735	252,981	201,807	474,214	1,443,737	272,536	1,716,273
Net value at 31 Dec. 2001	1,042,620	309,787	259,294	8,514	1,620,215	482,946	2,103,161

The Bank estimates that the recorded value of all fixed assets reflects their true value, based on their remaining period of usefulness. Property was evaluated by an official valuer at acquisition.

The increase of property in the amount of SIT 13,207 thousand represents other investments in property (reconstruction and purchase of construction equipment).

Increase of equipment represents upgrade and purchase of computer equipment and ATMs in the amount of SIT 149,519 thousand, purchase of cars and office furniture, video-surveillance system and other equipment in total amount of SIT 31,974 thousand.

Decrease of property and equipment is due to inventory count differences at purchase value of SIT 86 thousand, sold fixed assets at purchase value of SIT 300 thousand, destroyed equipment by commission at purchase value of SIT 42 thousand, and calculated depreciation in the amount of SIT 337,961 thousand.

Intangible fixed assets increased for new and upgraded software and project for new commercial centre at Slovenska 32 in Ljubljana in the amount of SIT 106,416 thousand.

Construction in progress in the amount of SIT 1,348 thousand was activated in January 2003.

2.8. Subscribed Unpaid Capital and Purchased own Shares

The Bank does not show subscribed unpaid capital. Also it did not purchase own shares in 2002.

2.9. Other Assets

Other assets are comprised of:	In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001
Interests receivable	1,033,658	871,598
Fees and commissions receivable	114,716	100,573
Deferred expenses	6,976	8,306
Cheques	1,321	607
Stocks	17,944	1,925
Accounts receivables	13,145	13,032
Other receivables:		
- Receivables from DURS for overpaid VAT	278	10,366
- Other receivables from short-term operations	6,423	1,361
- Other receivables based on other items	254,151	501,854
- Excess of giro account and other doubtful receivables	73,869	8,855
- Excess of giro account and other receivables from citizens	247,606	254,972
- Commissions receivables from retail banking	444,010	467,479
- Other receivables in foreign currency from retail banking	9,889	11,836
- Receivables from foreign posts	75,530	64,101

- Receivables from banks based on international postal orders	605	476
- Receivables from employees	853	317
- Long-term investments to real-estates (works of art)	12,190	-
TOTAL	2,313,164	2,317,658
Allowances	(219,141)	(251,648)
Suspended income	(853,876)	(727,559)
TOTAL	1,240,147	1,338,451

The majority of receivables based on other items in the total amount of SIT 254,151 thousand represent receivables from banks for payments at post-office units in the amount of SIT 235,348 thousand (in 2002 SIT 262,266 thousand) and receivables from DURS for special money orders in the amount of SIT 5,096 thousand (in 2001 SIT 229,925 thousand).

The majority of commissions receivables from retail banking in the total amount of SIT 444,010 thousand represent commissions receivables from operations with payment card "Aktiva" in the amount of SIT 364,179 thousand (in 2001 SIT 318,916 thousand), receivables from international payment traffic commissions in the amount of SIT 41,6789 thousand (in 2001 SIT 90,289 thousand), and receivables for ATM withdrawals in the amount of SIT 37,225 thousand (in 2001 SIT 57,246 thousand).

Other assets include receivables from Pošta Slovenije of that commissions receivables in the amount of SIT 63,239 thousand (in 2001 SIT 54,849 thousand) and other receivables in the amount of SIT 788 thousand (in 2001 SIT 3,617 thousand).

Value adjustments entail:	In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001
Accounts receivables	9,988	9,960
Other receivables from legal persons	17,519	8,203
Receivables from citizens	191,634	233,485
TOTAL	219,141	251,648

Suspended revenues entail:	In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001
Interest receivable	836,989	714,170
Fees and commissions receivable	15,181	12,801
Other receivables	1,706	588
TOTAL	853,876	727,559

2.10. Accrued Income and Deferred Expenses

They are comprised of:	In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001
Non-charged interests income	1,488,163	671,580
Non-charged fees and commissions income	2,301	2,374
Deferred expenses	1,452	4,214
TOTAL	1,491,916	678,168

Within non-charged interest income there are interests from loans in the amount of SIT 5,548 thousand (in 2001 SIT 32,603 thousand), from cash certificates of the Republic of Slovenia in the amount of SIT 957,031 thousand (in 2001 SIT 39,936 thousand), from treasury bills SIT 25,677 thousand (in 2001 SIT 59,154 thousand), and bonds of the Republic of Slovenia in the amount of SIT 483,712 thousand (in 2001 SIT 525,097 thousand), from accrued interest for cash certificates of the Bank of Slovenia in foreign currency in the amount of SIT 1,196 thousand (in 2001 SIT 192 thousand), from bonds of the Republic of Slovenia with a foreign currency clause in the amount of SIT 40 thousand (in 2001 SIT 38 thousand), and from bond of other issuer in the amount of SIT 14,600 thousand (in 2001 SIT 14,052 thousand).

2.11. Deposits and Borrowings from Banks:

a) Analysis by type, currency and maturity of liabilities:		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
Demand deposits	0	0	
Short-term liabilities:			
- Short-term loans and deposits	807,577	2,562,698	
- In tolar	689,843	2,375,690	
- In foreign currency	117,734	187,008	
Long-term liabilities:			
- Long-term loans and deposits	786,991	833,163	
- In tolar	786,991	833,163	
- In foreign currency	0	0	
TOTAL	1,594,568	3,395,861	

Current maturity of long-term liabilities amounts to SIT 523,620 thousand and is shown among short-term liabilities (as at 31 December 2001 SIT 1,473,803 thousand).

b) Movement of short-term and long-term liabilities:		In thousands of tolar			
	2002		2001		
	Short-term	Long-term	Short-term	Long-term	
Balance at 1 January	2,562,698	833,163	2,125,956	729,216	
Increase	7,959,113	947,458	3,722,234	677,598	
Decrease	(10,588,999)	(118,865)	(3,857,959)	(1,184)	
Current maturity	874,765	(874,765)	572,467	(572,467)	
Balance at 31 December	807,577	786,991	2,562,698	833,163	
TOTAL	1,594,568		3,395,861		

2.12. Deposits and Borrowings from Other Customers

a) Analysis by type and currency of demand deposits:		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
In SIT	Demand deposits	Demand deposits	
Businesses	647,189	615,939	
Citizens	27,655,449	23,761,552	
Public sector	21,643	32,569	
Other financial organisations	59,447	93,943	
Foreign persons	152,688	186,112	
Non-profit service providers	184,491	63,462	
Entrepreneurs	140,113	81,379	
TOTAL	28,861,020	24,834,956	
In foreign currency			
Businesses	15,107	0	
Other financial organisations	181,116	0	
Non-profit service providers	5,779	0	
Entrepreneurs	33	0	
TOTAL	202,035	0	
TOTAL DEMAND DEPOSITS	29,063,055	24,834,956	

b) Analysis by type, maturity and currency of short-term and long-term deposits:				
	31 Dec. 2002		31 Dec. 2001	
In SIT	Short-term deposits	Long-term deposits	Short-term deposits	Long-term deposits
Businesses	4,071,674	1,476,566	5,372,747	226,274
Citizens	25,247,041	889,560	18,741,348	480,326
Public sector	1,428,653	1,300,000	1,439,792	747,000
Other financial org.	2,406,672	2,259,836	3,379,816	778,837
Non-profit service providers	249,012	388,895	163,224	100,000
TOTAL	33,403,052	6,314,857	29,096,927	2,332,437
TOTAL	39,717,908		31,429,364	
In foreign currency				
Other financial org.	345,401	0	0	0
TOTAL	345,401	0	0	0
TOTAL in SIT and foreign currency				
TOTAL	33,748,453	6,314,857	29,096,927	2,332,437
TOTAL	40,063,310		31,429,364	

In thousands of tolar

c) Analysis by type, maturity and currency of short-term and long-term deposits:				
	31 Dec. 2002		31 Dec. 2001	
	Short-term deposits	Long-term deposits	Short-term deposits	Long-term deposits
Other financial org.	4,584,466	1,297,575	2,722,998	0
TOTAL	4,584,466	1,297,575	2,722,998	0
TOTAL	5,882,041		2,722,998	

TOTAL a, b in c	67,395,974	7,612,432	56,654,882	2,332,437
TOTAL a, b in c	75,008,406		58,987,319	

Current maturity of long-term liabilities amounts to SIT 6,260,585 thousand and is shown among short-term liabilities (as at 31 December 2001 SIT 5,445,559 thousand).

d) Movement of short-term and long-term liabilities:				
	2002		2001	
	Demand deposits and short-term liabilities	Long-term liabilities	Demand deposits and short-term liabilities	Long-term liabilities
Balance at 1 January	53,931,884	2,332,437	42,519,907	2,103,730
Increase				
Bank deposits made	712,587,660	6,496,037	560,567,677	4,533,976
Interest added to principal	2,083,569	361,075	513,524	95,479
Revaluation	15,763	0	1,135,809	193,808
Decrease	(708,682,060)	0	(555,399,589)	0
Current maturity of long-term liabilities	2,874,692	(2,874,692)	4,594,556	(4,594,556)
Balance at 31 December	62,811,508	6,314,857	53,931,884	2,332,437
TOTAL	69,126,365		56,264,321	

e) Movement of short-term and long-term debt liabilities:					In thousands of tolar
	2002		2001		
	Demand deposits and short-term liabilities	Long-term liabilities	Demand deposits and short-term liabilities	Long-term liabilities	
Balance at 1 January	2,722,999	0	1,141,150	0	
Increase	8,579,382	1,297,575	4,273,465	0	
Decrease	6,717,915	0	(2,691,617)	(0)	
Balance at 31 December	4,584,466	1,297,575	2,722,998	0	
TOTAL	5,882,041		2,722,998		

TOTAL d in e	75,008,406	58,987,319
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2.13. Debt Securities

	In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001
Short-term		
- Bonds	94	94
Long-term		
- Bonds	4,295,500	4,295,500
TOTAL	4,295,594	4,295,594

Liabilities from issued securities pertain to the 3rd and 4th issue of bonds of Poštna Banka Slovenije.

Third issue of bonds of Poštna Banka Slovenije took place on 10 December 2000 in the amount of SIT 2,000,000 thousand. It was not paid in entirety, however, as the offer collection was concluded at the value of SIT 1,795,500 thousand. The issue is denominated in SIT with nominal value of SIT 100 thousand. Interest rate for the bonds is TOM + 5.3%. Interests are calculated conformly and paid yearly on 10th December. The principle will be paid after five years, that is 10 December 2005. Third issue of bonds is entirely shown among long-term liabilities from issued securities.

Fourth issue of bonds of Poštna Banka Slovenije took place on 14 December 2001 in the amount of SIT 2,500,000 thousand and was paid in entirety. The issue is denominated in SIT with nominal value of SIT 100 thousand. Interest rate for the bonds is TOM + 5.2%. Interests are paid once a year. The principle will be paid after five years, that is 14 December 2006. Fourth issue of bonds is entirely shown among long-term liabilities from issued securities.

2.14. Other Liabilities

In thousands of tolar

	31 Dec. 2002	31 Dec. 2001
Interest liabilities	377,608	472,563
Fees and commissions due	1,805	1,489
Payments received in advance	370,105	59,574
Liabilities for taxes on profit and contributions	23,370	6,393
Salaries and their substitutes	56,068	48,188
Liabilities for calculated taxes and contributions	56,486	53,212
Liabilities from tax on profit	0	844
Suppliers	99,289	88,763
Other liabilities	589,515	673,260
TOTAL	1,574,246	1,404,286

Of payments received in advance in the total amount of SIT 370,105 thousand, the biggest item is payment of capital from Pošte Slovenije in the amount of SIT 342,763 thousand.

Of other liabilities, the biggest item represent liabilities for disbursement of money orders and deposit orders in domestic payment traffic in the amount of SIT 448,869 thousand (in 2001 SIT 432,700 thousand).

Within liabilities to suppliers and other liabilities, also the liabilities to Pošta Slovenije from services, performed for the bank, are shown in the total amount of SIT 97,786 thousand (as at 31 December 2001 SIT 182,142 thousand), of that the biggest item represent liabilities for services at post-office windows and exchange operations in the amount of SIT 82,677 thousand (as at 31 December 2001 SIT 165,785 thousand). All the liabilities were settled in the beginning of the year 2003.

2.15. Accruals and Deferred Income

In thousands of tolar

	31 Dec. 2002	31 Dec. 2001
Accrued interest not yet due	473,225	608,802
Suspended income	0	0
Liabilities for commissions	45,607	68,249
Deferred income	146,059	25,185
TOTAL	664,891	702,236

Among liabilities for commissions, liabilities from retail banking are recorded, mostly from standing orders, ATM withdrawals and card operations.

Within deferred income, the Bank records interests deferred for a long-term, from long-term deposits in the amount of SIT 124,344 thousand.

2.16. Provisions for Liabilities and Charges

a) Analysis by type of provision:		In thousands of tolar	
	31 Dec. 2002	31 Dec. 2001	
Special provisions for B-E graded off-balance sheet liabilities	67,441	59,324	
Provisions for A graded balance sheet and off-balance sheet receivables	354,748	328,027	
Provisions for offsetting by groups	19,096	3,041	
Provisions for country risk	875	3,667	
Long-term provisions for charges	0	3,301	
Provisions for pensions and similar liabilities	350	0	
TOTAL	442,510	397,360	

b) Movement of long-term provisions :		In thousands of tolar					
	2002						
	Special provisions for off-balance sheet receivables	Special provisions for A graded receivables	Provisions for group settlement	Provisions for country risk	Long-term provisions for charges	Provisions for pensions	TOTAL
Balance at 1 January	59,324	328,027	3,041	3,667	3,301	0	397,360
Percentage of the total receivables (in %)	0.8	1.0	0.04	5.7	-	-	-
Formed during the year	117,134	76,260	42,634	652	0	350	237,030
Released during the year	109,017	49,539	26,579	3,444	0	0	188,579
Used	0	0	0	0	3,301	0	3,301
Balance at 31 December	67,441	354,748	19,096	875	0	350	442,510
Percentage of the total receivables (in %)	0.8	1.0	0.23	1.2	-	-	-

2001		In thousands of tolar					
	Special provisions for off-balance sheet receivables	Special provisions for A graded receivables	Provisions for group settlement	Provisions for country risk	Long-term provisions for charges	TOTAL	
Balance at 1 January	55,819	320,674	0	0	3,301	379,794	
Percentage of the total receivables (in %)	1.3	1.0	-	-	-	-	
Formed during the year	57,700	15,743	10,326	3,667	0	87,436	
Released during the year	(54,195)	(8,391)	(7,285)	0	0	(69,871)	
Used	0	0	0	0	0	0	
Balance at 31 December	59,324	328,027	3,041	3,667	3,301	397,360	
Percentage of the total receivables (in %)	0.8	1.0	0.04	5.7	-	-	

2.17. Provisions for General Banking Risk

In 2000 based on the Conclusion of the Board of Directors, the Bank formed provisions for general banking risks in the amount of 10% of basic capital (SIT 109,800 thousand). In 2001 the revaluation totalled SIT 7,686 thousand, so that the Bank records provisions for general banking risks in the amount of 117,486 thousand as at 31 December 2002.

2.18. Subordinated Liabilities

In thousands of tolar

	31 Dec. 2002	31 Dec. 2001
Subordinated liabilities	1,500,000	1,800,000
- Long-term deposit of Pošta Slovenije	0	300,000
- Bonds	1,500,000	1,500,000

Subordinated liabilities in total amount of SIT 300,000 thousand were represented by long-term deposit of Pošta Slovenije, dating from 11 May 1999, which was acquired as derivative instrument that was allowed to be included in the calculation of the Bank's capital. Deposit was given at the interest rate of TOM + 5% with maturity on 15 May 2006. By the fifth issue of shares Pošta Slovenije in December 2002 withdrew the deposit and paid a part of it in the amount of SIT 97,617 thousand as regular shares and another part of it in amount of SIT 202,383 as paid in capital surplus.

Second issue of bonds of Poštna banka Slovenije, dating from 20 June 2000 in nominal value of SIT 1,500,000 thousand are accounted for as subordinated liabilities, that are allowed to be included in the calculation of capital of the Bank. Issue is nominated in SIT with units of SIT 100 thousand. The interest rate is TOM + 6%, interests are calculated conformly and paid twice a year, on 20 December and 20 June. The principal will be paid after seven years, that is on 20 June 2007. Second issued of bonds is entirely recorded among long-term liabilities from subordinated loan.

2.19. Capital and Capital Items

Basic capital of the Bank amounts to SIT 1,103 thousand as at 31 December 2002 and is divided into 275,750 regular shares with a nominal value of SIT 4,000. They were issued in four issues: in 1992 in founding issue 100,000 shares, in 1994 70,000 shares, in 1999 104,500 share, in 2001 1,250 shares. The owners of the Bank are the Republic of Slovenia (62%) and Pošta Slovenije (38%).

In December 2002, on the basis of the Conclusion of the Board of Directors, the fifth issue of shares was issued, divided into 35,095 shares with a nominal value of 4,000 SIT. Shares were paid-in by Pošta Slovenije. Subscription in court register was performed in January 2003. Shares were paid in at book value on 31 December 2001, so that the basic capital increased by SIT 140,380 thousand and totals SIT 1,243,380 thousand, while paid-in capital surplus amounts to SIT 202,383 thousand.

In 2002 net profit for the period amounts to SIT 79,570 thousand, while capital of the Bank together with net profit amounts to SIT 2,767,184 thousand.

A portion of net profit in the amount of SIT 51,223 thousand was on 31 December 2002 by the Conclusion of the Board of Directors and the Supervisory Board distributed in legal, statutory and other reserves. Not distributed current and prior year profits in 2002 totalled SIT 78,347 thousand (retained earnings totalled SIT 50,000 thousand and net profit for the year 2002 after the distribution in reserves totalled 28,347 thousand).

2.20. Fiduciary Accounts

According to the program of activities at the cessation of payment transactions in APP (Agency for Payment Transactions), the Agency by official duty closed giro accounts on 29 June 2002. To commission accounts of the Bank of Slovenia funds of customers, with whom the Bank had depository contract, were transferred in the total amount of SIT 18,333 thousand. On the missionary account of the Bank of Slovenia, the state on 31 December 2002 is still SIT 1,327 thousand.

2.21. Off-balance Sheet Liabilities

Potential and taken over liabilities at the end of the year totalled:		In thousands of tolar		
	31 Dec. 2002		31 Dec. 2001	
	in SIT	In foreign currency	in SIT	In foreign currency
Service guarantees:	766,092	1,105	561,926	0
- Short-term	709,763	1,105	517,372	0
- Long-term	56,329	0	44,554	0
Financial guarantees:	1,140,096	335,267	646,229	0
- Short-term	984,923	0	345,994	0
- Long-term	155,173	335,267	300,235	0
Assets pledged	100,000	0	0	0
Taken over non-cancellable liabilities	5,953,147	0	4,766,632	0
- Derivative financial instruments	3,328	0	885,638	0
TOTAL GROSS	7,962,663	336,372	7,130,425	0
TOTAL in SIT and foreign currency	8,299,035		7,130,425	
Formed provisions for land classification B - E	(67,441)	0	(59,324)	0
TOTAL NET	7,895,222	336,372	7,071,101	0
TOTAL NET in SIT and foreign currency	8,231,594		7,071,101	

According to the Decree on the classification of balance sheet and off-balance sheet items of banks and savings banks, risky potential liabilities for which the Bank forms special provisions amount to SIT 8,299,035 thousand (31 December 2001 SIT 7,130,425 thousand).

Taken over non-cancellable liabilities are comprised of undrawn overdrafts by debit cards in the amount of SIT 995,127 thousand (31 December 2001 SIT 1,412,685 thousand), approved undrawn loans in the amount of SIT 2,447,973 thousand (31 December 2001 SIT 1,151,880 thousand), unused lines of credit in the amount of SIT 2,447,973 thousand (31 December 2001 SIT 2,472,066 thousand), of which unused approved lines of credits to the companies total SIT 474,096 thousand and unused approved lines of credits to the individuals total SIT 2,035,951 thousand (31 December 2001 SIT 1,924,845 thousand).

Derivative financial instruments entail temporary sales of foreign currency to the Bank of Slovenia, performed on the basis of the Bank of Slovenia's offers. Bank engaged in this forwards as the signer of the Contract on the cooperation of the Bank and the Bank of Slovenia at interventions on foreign exchange markets. On 31 December 2002 the Bank had 7-day foreign currency forward in the amount of SIT 1,404,631 thousand and 270-day foreign currency forward in the amount of SIT 161,187 thousand.

The amount of SIT 3,328 thousand accounts for 2% of the value of of foreign exchange forwards to the Bank of Slovenia with maturity of over 14 days.

3. Notes to the Financial Statements

3.1. Net Interested and Similar Income

Analysis by type and sources:		In thousands of tolar		
	2002		2001	
INCOME	Short-term	Long-term	Short-term	Long-term
Interest from deposits with the Central bank	19,242	0	17,171	0
Interest from deposits and borrowings from other banks	278,530	0	316,313	0
Interest from borrowings from other customers	3,034,554	993,016	2,598,110	1,090,212
Interest from securities not held for trading	1,056,948	1,337,764	0	0
Income from purchased receivables	15,724	0	8,449	0
Other interest receivable	15,551	0	0	0
TOTAL	4,420,549	2,330,780	2,940,043	1,090,212
EXPENSES				
Interests given to banks	50,050	172,569	68,542	195,727
Interest given to other customers	4,086,387	1,068,061	2,756,540	1,088,594
TOTAL	4,136,437	1,240,630	2,825,082	1,284,321
NET INTEREST AND SIMILAR INCOME	284,112	1,090,150	114,961	(194,109)

Interest from borrowings from other customers also entail interest for issued securities of the Poštna banka Slovenije of second, third, and fourth issue in the amount of SIT 755,446 thousand (in 2001 SIT 485,773 thousand).

3.2. Income From Investment in Capital

The item is comprised of:		In thousands of tolar	
	2002	2001	
Income from capital investments	0	40	
Income from securities held for trading (marketable securities)	1,436,519	2,751,991	
Dividends from marketable securities	15,379	22,581	
TOTAL	1,451,898	2,774,612	

3.3. Income and Expenses From Commissions

	In thousands of tolar	
	2002	2001
RECEIVED COMMISSIONS		
Commissions from given warranties	23,918	28,482
Commissions from payment transfers in the country	1,042,546	873,747
Commissions from payment transfers with a foreign country	12,421	6,428
Commissions from credit operations	295,811	268,068
Commissions from administration services	358,675	287,089
TOTAL	1,733,371	1,463,814
COMMISSIONS GIVEN		
Commissions for banking services in the country	797,025	698,442
Commissions for banking services in the foreign country	24	58
Commissions for performing exchange operations	82,532	97,741
Intermediary and commissions operations	2,066	3,533
Commissions for performing stock market transactions	5,772	3,857
Commissions for performing payment transfers	89,366	93,226
Commissions given for other services	102,022	76,495
TOTAL	1,078,807	973,352
NET COMMISSIONS	654,564	490,462

Commissions from payment traffic in the country entail also the commission from Pošta Slovenije in the amount of SIT 701,304 thousand (in 2001 SIT 571,917 thousand).

Commissions from banking services in the country entail also the window service of the Pošta Slovenije in the amount of SIT 780,805 thousand (in 2001 SIT 684,818 thousand).

3.4. Net Profit Financial Transactions

In thousands of tolar

INCOME	2002	2001
Income from sale of securities, held for trading	161,399	247,257
Revaluated financial income from securities, held for trading	19,579	83,841
Income from sale and purchase of foreign currency	109,383	169,433
Financial income from exchange rate surplus	42,437	42,562
Other financial income	133	0
TOTAL	332,931	543,093
EXPENSES		
Expenses from marketable securities, held for trading	1,027	6,798
Revaluated financial expenses from securities, held for trading	8,750	130,852
Expenses from sale and purchase of foreign currency	26,418	10,637
Financial expenses from exchange rate deficit	25,709	23,316
TOTAL	61,904	171,603
NET PROFIT FROM FINANCIAL TRANSACTIONS	271,027	371,490

From trading with securities the Bank earned net profit in the amount of SIT 171,201 thousand (in 2001 SIT 193,448 thousand).

Net profit from foreign exchange trading amounts to SIT 82,965 thousand (in 2001 SIT 158,796 thousand).

Net exchange rate differences that arise from changes of foreign exchange rates are positive in the amount of SIT 16,861 thousand (in 2001 SIT 12,186 thousand).

3.5. Other Operating Income

In thousands of tolar

	2002	2001
Income from non-banking services	5,012	0
Revaluated operating income	941	0
Other operating income	28,466	27,656
TOTAL	34,419	27,656

Other operating income are comprised of income from rent in the amount of SIT 3,771 thousand, income from expenses paid by customers in the amount of SIT 6,919 thousand and other similar operating income.

3.6. Labour Cost, Costs of Materials and Services

In thousands of tolar

Labours cost:	2002	2001
- Gross wages and salaries	996,462	876,949
- Contributions for social insurance	75,851	64,312
- Contributions for pension	92,834	80,547
- Other contributions from gross wages and salaries	74,187	70,129
- Other labour costs	162,634	115,273
TOTAL	1,401,968	1,207,210
Costs of materials and services:		
- Costs of materials	167,283	164,660
- Costs of services	884,978	987,650
TOTAL	1,052,261	1,152,310
TOTAL	2,454,229	2,359,520

Within other administrative costs, administrative costs for services of Pošta Slovenije total SIT 251,137 thousand (in 2001 SIT 263,971 thousand).

The biggest two items are costs for premises rent in the amount of SIT 97,416 thousand (in 2001 SIT 98,965 thousand) and costs for postal services in the amount of SIT 125,939 thousand (in 2001 SIT 88,981 thousand).

3.7. Depreciation

In thousands of tolar

The Bank depreciated:	2002	2001
Property and equipment	337,961	297,337
Intangible assets	136,919	82,380
Revaluation of amortisation	0	14,790
Revaluation expense from property, equipment and intangible assets	7,545	0
TOTAL	482,425	394,507

The amount of SIT 7,545 thousand represents impairment of property, gained for payment of receivables on the basis of the certified appraisor's valuation.

3.8. Other Operating Expenses

In thousands of tolar

	2002	2001
Membership fees	22,182	20,782
Revaluated operating income	6,698	57,446
Other operating income	32,650	16,017
Long-term provisions made	350	0
TOTAL	61,880	94,245

The biggest two items within other operating expenses are deferred expenses from discount on bond issue of the Bank in the amount of SIT 20,338 thousand and for tax purposes unrecognised expenses in the amount of SIT 9,743 thousand.

Revaluation expenses for 2002 represent revaluation of property and capital investments of the Bank (the item for 2001 represents a part of revaluation sub-balance).

3.9. Losses from Credits Given and Receivables Less any Recovery

A Write Offs of Unrecoverable Receivables and Income from Write Off Credits and Receivables

In thousands of tolar

	2002	2001
Write offs of unrecoverable credits and receivables	149,284	54,242
Allowances for bad and doubtful receivables	0	5,028
Income from write off of credits and receivables	(3,204)	(1,031)
NET WRITE OFFS AND ALLOWANCES	146,080	58,239

In thousands of tolar

	2002		2001	
	Write offs	Income from write offs	Write offs	Income from write offs
Loans to other customers	58,421	0	35,526	0
Interests	37,506	0	17,655	0
Other	53,357	3,204	1,061	1,031
TOTAL	149,284	3,204	54,242	1,031

In 2002, the Bank wrote off unrecoverable receivables on the basis of conclusions of the Board of Directors and the Statute of the Bank.

Write offs of bad receivables from individuals total SIT 51,945 thousand.

B Expenses for Special Provisions and Income from Released Long Term Provisions

1) Type of income and expenses by long-term provisions

In thousands of tolar

	2002		2001	
	Expenses	Income	Expenses	Income
Special provisions for balance sheet receivables (B-E) allowances	1,215,534	788,655	1,043,181	509,435
Provisions for offsetting by groups	42,634	26,579	10,326	7,285
Special provisions for balance sheet and off-balance sheet receivables A	76,260	49,539	15,743	8,391
Special provisions for off-balance liabilities (B-E)	117,127	109,017	53,867	54,196
Provisions for country risks	652	3,444	7,502	0
TOTAL	1,452,207	977,234	1,130,618	579,307
TOTAL NET EXPENSES	474,973		551,311	
TOTAL NET WRITE OFFS AND NET EXPENSES FOR LONG-TERM PROVISIONS	621,053		609,550	

2) Structure by balance sheet and off-balance sheet categories

In thousands of tolar

EXPENSES	2002				
	Special provisions for balance sheet receivables	Special provisions for receivables in group A	Special provisions for off-settings by groups	Special provisions for country risk	Special provisions for off-balance receivables
Loans to banks	0	2,942	0	0	0
Loans to other customers	1,121,254	53,116	0	0	0
Securities and capital investments	0	0	0	0	0
Interests	0	0	0	0	0
Country risk	0	0	0	652	0
Off-settings by groups	0	0	42,634	0	0
Other	94,280	0	0	0	0
Off-balance liabilities	0	20,202	0	0	117,127
TOTAL	1,215,534	76,260	42,634	652	117,127
TOTAL	1,452,2070				

In thousands of tolar

INCOME					2002
	Released provisions for balance sheet receivables	Released provisions for receivables in group A	Released provisions for off-settings by groups	Special provisions for country risk	Released provisions for off-balance receivables
Loans to banks	0	20,378	0	0	0
Loans to other customers	661,868	14,462	0	0	0
Securities and capital investments	0	524	0	0	0
Interests	0	2,431	0	0	0
Country risk	0	0	0	3,444	0
Off-settings by groups	0	0	26,579	0	0
Other	126,787	11,744	0	0	0
Off-balance liabilities	788,655	0	0	0	109,017
TOTAL	0	49,539	26,579	3,444	109,017
TOTAL	977,234				

In thousands of tolar

EXPENSES					2001
	Special provisions for balance sheet receivables	Special provisions for receivables in group A	Special provisions for off-settings by groups	Special provisions for country risk	Special provisions for off-balance receivables
Loans to banks	0	945	0	0	0
Loans to other customers	932,869	10,548	0	0	0
Securities and capital investments	16,811	787	0	0	
Interests	0	157	0	0	0
Country risk	0	0	0	3,667	0
Off-settings by groups	0	0	10,326	0	0
Other	93,502	630	0	0	0
Off-balance liabilities	0	2,676	0	0	57,700
TOTAL	1,043,182	15,743	10,326	3,667	57,700
TOTAL	1,130,618				

In thousands of tolar

INCOME					2001
	Disposed provisions for balance sheet receivables	Disposed provisions for receivables in group A	Special provisions for off-settings by groups	Special provisions for country risk	Disposed provisions for off-balance receivables
Loans to banks	0	503	0	0	0
Loans to other customers	426,309	5,622	0	0	0
Securities and capital investments	2,772	420	0	0	0
Interests	80,354	84	0	0	0
Country risk	0	0	0	0	0
Off-settings by groups	0	0	7,285	0	0
Other	0	336	0	0	0
Off-balance liabilities	0	1,426	0	0	54,195
TOTAL	509,435	8,391	7,285	0	54,195
TOTAL	579,307				

3.10. Net Provisions for General Banking Risk

In 2000, on the basis of the Conclusion of the Board of Directors, the Bank formed provisions for general banking risks in the amount of 10% of basic capital. In 2001 and 2002 the Bank did not form any additional provisions for general banking risks.

3.11. Extraordinary Income and Expenses

In thousands of tolar

Extraordinary income:	2002	2001
Income for loss settlement	0	0
Income from received indemnities, bonuses	782	632
Government grants and similar income	0	0
Other extraordinary income	670	380
TOTAL	1,452	1,012

In thousands of tolar

Extraordinary expenses:	2002	2001
Extraordinary expenses for revaluation of capital	0	0
Loss settlement	0	0
Expenses for penalties	644	2,254
Other extraordinary expenses	8,250	17,568
TOTAL	8,894	19,822
EXTRAORDINARY PROFIT/LOSS	(7,442)	(18,810)

The biggest portion of extraordinary expenses represent transactions by falsified cards ACTIVA/EUROCARD in the amount of SIT 7,177 thousand.

3.12. Tax on Profit and Special Tax on Total Assets of Banks and Savings Banks

The Bank calculates and pays tax on profit and, since 1998 also special tax on total assets of banks and savings banks, both from gross profit.

At its computation for tax on profit for 2002, the Bank took tax relief for investments in fixed assets and provisions for investments, into account. At the same time, the Bank increased taxable base by, for tax purposes unrecognised and excess costs, as well as by the tax relief on sold fixed assets, accounted for in the previous years. The calculated tax on profit amounts to SIT 22,694 thousand (in 2001 SIT 0).

On the basis of the Regulation on total assets of banks and savings banks, the Bank in 2002 computed also the special tax on total assets of banks and savings banks, which, together with the tax on profit in 2002, accounted for 50% of net income before distribution. The special tax on total assets of banks and savings banks amounts to SIT 56,876 thousand (in 2001 SIT 54,220 thousand).

3.13. Profit Distribution

In 2002, the Bank earned net profit in the amount of SIT 79,570 thousand. The Board of directors and the Supervisory Board formed legal, statutory, and other reserves in total amount of SIT 51,223 thousand, according to the Statute of Poštna Banka Slovenije and the Law on Commercial Companies. The remaining net profit, after the distribution in reserves, totalled SIT 28,347 thousand.

The Bank distributed a part of undistributed profit from 1997 in the amount of SIT 5,559 thousand for rewards to the members of the Supervisory Board and employees of the bank on the basis of the Conclusion of the Bank's Assembly.

3.14. Additional Information

Exposure towards persons in a special relationship with the bank and towards employees on individual.

In thousands of tolar

	31 Dec. 2002			31 Dec. 2001		
	Supervisory board members	Management board members	Employees by individual contracts	Supervisory board members	Management board members	Employees by individual contracts
Loans	4,254	8,881	24,865	4,561	2,790	16,269
Unused limits	660	801	6,143	1,000	457	4,744
Rate of interest	TOM + 4.5 %	TOM + 4.5 % up to 7.5 %	TOM + 4.5 % up to 7.5%	TOM + 4.5 %	TOM + 7.5 %	TOM + 3.9 % up to 7.5 %

In thousands of tolar

	2002			2001		
	Supervisory board members	Management board members	Employees by individual contracts	Supervisory board members	Management board members	Employees by individual contracts
Repaid loans in year	715	7,686	5,061	710	1,117	3,237
Total amount of cash receipts	7,854	53,016	197,119	7,875	35,092	180,519

Until February 2002, the Board of directors had two members, from February 2002 to September 2002 three members, and from September 2002 again two members.

Relations with government			In thousands of tolar	
Receivables and liabilities from Republic of Slovenia	31 Dec. 2002	31 Dec. 2001		
Receivables and accrued income and other deferred expenses	9,996,738	18,794,271		
- Bonds of the Republic of Slovenia	9,113,890	11,827,846		
- Treasury bills	366,500	6,139,152		
- Receivables from overpaid taxes	0	10,122		
- Receivables from VAT	278	244		
- Commissions receivable	777	2,996		
- Other receivables for money orders disbursement	5,864	229,621		
- Accrued interests	509,429	584,290		
Investments with a warranty of the Republic of Slovenia	740,856	669,375		
Liabilities	43,974	26,502		
- Liabilities for tax on profit	20,713	0		
- Liabilities for tax on balance sheet total	2,657	6,393		
- Liabilities for tax, contributions and other tax contributions account	20,604	20,109		

Income and expenses, achieved in operations with Republic of Slovenia		In thousands of tolar
	2002	2001
Income	1,794,908	1,984,983
- From interests	1,794,908	1,984,983
Expenses	0	32,953
- Revaluated operation expenses	0	32,953

Relations with Pošta Slovenije		In thousands of tolar
Receivables and liabilities from Pošta Slovenije	31 Dec. 2002	31 Dec. 2001
Receivables	64,119	58,777
- For interests	0	311
- For commissions	63,239	54,849
- Others	880	3,617
Liabilities	739,662	771,823
- assets on demand	52,667	53,819
- Time deposits	196,234	482,590
- Up to 1 year	0	312
- Over 1 year	196,234	482,278
- Bonds of PBS-second issue	50,000	50,000
- For interests	212	3,272
- For postal services	97,786	182,142
- For advance payment - payment of capital	342,763	0
Off-balance liabilities - Credit lines	250,000	250,000

Income and expenses, achieved in operations with Pošta Slovenije		In thousands of tolar
	2002	2001
Income	705,949	587,697
- From interests	4,645	15,780
- From commissions	701,304	571,917
Expenses	1,076,322	1,102,516
- For interests	44,380	55,635
- For postal services	1,031,942	1,046,881

Contractual Relations

The Bank has signed a 25-year contract with Pošta Slovenije on mutual cooperation, according to which Pošta Slovenije performs services at post offices on behalf of the Bank. The subject of this contract are also services that Poštna Banka Slovenije performs for Pošta Slovenije. Individual types of services, their execution and other related matters are regulated in realization contracts.

3.15. Post Balance Sheet Events

In December 2002, on the basis of the Conclusion of the Board of Directors, the fifth issue of shares was issued, divided into 35,095 shares with a nominal value of 4,000 SIT. Shares were paid-in by Pošta Slovenije. Subscription in the court register was performed in January 2003. Shares were paid in at book value on 31 December 2001, so that the basic capital increased by SIT 140,380 thousand and totals SIT 1,243,380 thousand, while paid-in capital surplus amounts to SIT 202,383 thousand.

On 30 December 2002, the Bank signed a contract on obtaining a 5-year foreign currency loan in the amount of EUR 2 million. On 20 March 2003, the Bank signed a contract on obtaining a 10-year foreign currency loan in the amount of EUR 2 million. Both loans were obtained for crediting the customers and can be withdrawn gradually.

On 5 November 2002 the ownership of shares of Poštna banka Slovenije and of Pošta Slovenije was transferred to the Republic of Slovenia. The Republic of Slovenia now owns 55% of shares, while Pošta Slovenije owns the remaining 45%.

On 12 March 2002, after the change of ownership, at 13th session of the Assembly of Poštna Banka Slovenije, the old Supervisory Board was released and the new Supervisory Board was appointed:

- Alfonz Podgorelec, M. Sc.
- Jože Fošt,
- Anton Grden,
- Marija Milojka Kolar Celarc,
- Milena Zrnec Hribar,
- Branko Obal,
- Ivan Hrnčič.

After the audit was concluded, the Supervisory board, at its 41st session on 26 May 2003, elected Marija Milojka Kolar Celarc as its president and Alfonz Podgorelec, M. Sc. as its vice president.

PBS.
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