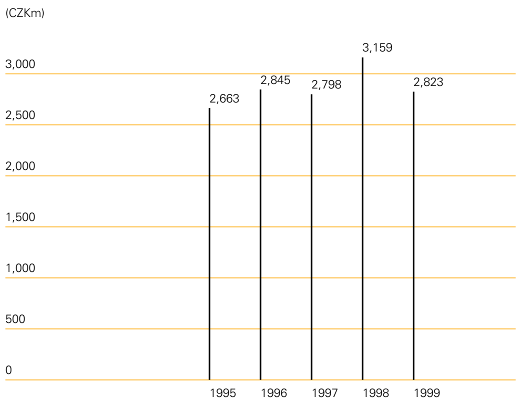
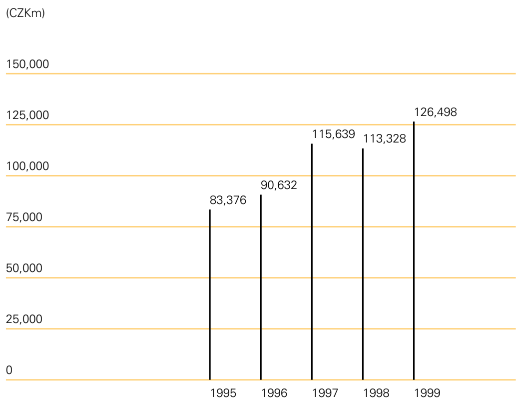
CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY (IAS)

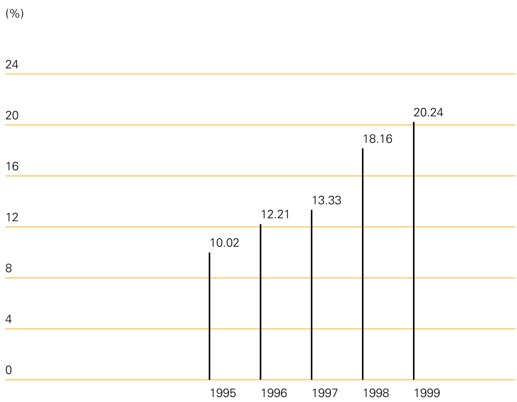
PROFIT FOR THE YEAR



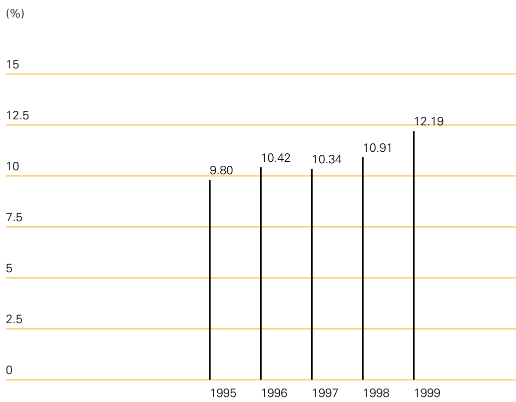
AMOUNTS OWED TO CUSTOMERS



BANK CAPITAL ADEQUACY
– CNB regulations



TOTAL SHAREHOLDERS' EQUITY TO TOTAL ASSETS



CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY
(according to International Accounting Standards)

	1999	1998	1997	1996	1995
Results for the year (CZKm)					
Profit before taxation	4,566	4,935	4,949	3,434	2,802
Income tax expense	1,683	1,726	2,095	586	243
Profit for the year	2,823	3,159	2,798	2,845	2,663
At year-end (CZKm)					
Shareholders' equity	31,478	27,501	24,670	21,853	19,018
Amounts owed to customers	126,498	113,328	115,639	90,632	83,376
Amounts owed to banks	45,363	67,255	61,708	59,331	53,372
Debt securities in issue	38,750	22,329	15,353	15,535	15,880
Loans and advances to customers	97,046	116,505	112,171	85,325	79,839
Loans and advances to banks	115,257	83,883	62,199	49,391	48,191
Assets	258,277	252,012	238,564	209,802	194,141
Ratios (%)					
Return on average shareholders' equity (ROAE)	9.57	12.11	12.03	13.92	14.95
Return on average total assets (ROAA)	1.11	1.29	1.25	1.41	1.49
Bank capital adequacy ratio - CNB regulations [1)2)]	20.24	18.16	13.33	12.21	10.02
Total shareholders'equity to total assets [1)]	12.19	10.91	10.34	10.42	9.80
Exchange rate CZK / USD [1)]	35.98	29.86	34.64	27.33	26.60
Average exchange rate CZK / USD	34.60	32.27	31.71	27.14	26.55

1) as at 31 December

2) For compatibility, the 1998 – 1995 ratios have been restated using the methodology under which the 1999 ratio was calculated.

All data have been restated according to the methodology as at 31 December 1999.

Ratings (as at 15 April 2000)

Moody's	Long-term:	Baa1	Short-term:	Prime-2
Standard & Poor's	Long-term:	BBB-	Short-term:	A-3
Thomson Financial	Issuer:	IC-A/B	Short-term:	LC-1
Capital Intelligence	Long-term:	BBB-	Short-term:	A3
Fitch IBCA	Support:	2		

Statement by the Chairman of CSOB's Board of Directors at the General Meeting of Shareholders

Dear shareholders,

At the previous General Meeting of Shareholders, I pointed out that one of the basic elements of CSOB's stable performance is prudence in risk management and, in particular, a mature credit culture. In the year 99, when the economy stagnated, this approach was reflected positively in the very good results of the Bank. The profit stability achieved in such a difficult environment undoubtedly reflects the quality of the Bank's management. The profitability achieved, especially when compared to our domestic peers, represents **an excellent result**. Our capital position is the strongest in the Czech and Slovak banking sectors. We have sufficient capital to grow further.

Our goal in the years to come is to increase return on equity above 15 %. Our biggest challenge is, therefore, **to add to the above mentioned credit culture an advanced sales-driven and cost-efficient culture**.

The sale of the Czech and Slovak states' stakes, including those of the national banks, last year fulfilled two major strategic goals. First, **the creation of a strong and prospective ownership structure** and second, a definitive and very positive solution to the Bank's former difficult relations with Slovak government institutions. The Bank has defended and made even more visible its **strategic advantage of operating in both the Czech and Slovak markets**.

The goal of KBC, our strategic shareholder, is to build up a strong position in Central and Eastern Europe as a second market besides its domestic Belgian market, which it dominates. In this sense, CSOB is a very significant part of the KBC Group. Therefore, immediately after the finalisation of privatisation, we have very quickly and jointly planned, and in many respects already realised, **integration into KCB's operational framework**. The integration involves the realisation of business synergies, systems integration and the well-organised transfer of know-how. As part of the integration in a more narrow sense, the KBC standards were first applied in the areas of reporting, risk management and internal audit. Within the region "the Czech Republic – Slovakia – Poland – Hungary", we work together to maximise synergies between CSOB, the Hungarian K&H and the Polish Kredyt Bank.

Our vision is to become the best regional group providing financial services. Last year, the Bank started an important change based on the transition from a universal approach towards a new business architecture. We diversify our services into **four main customer segments**. We want to further strengthen our leadership in the market of services provided to the upper corporate segment. Financial institutions will remain one of the main target customer segments. In both of these sectors we are already making use of all the advantages provided by the international network of KBC in the world. We focus on small and medium-sized enterprises and we intend to offer them a new service approach. A key strategic area of development is bankassurance. We are planning to expand our operations with individuals and micro-enterprises in both the Czech and Slovak Republics and become one of the most important retail market participants. A characteristic feature of the expansion will be the balance between both classical and electronic forms of distribution ("brick" & "click"). We want to use our financial strength and good reputation and, being oriented towards the development of clients relationships, to give more. We want to provide customers with easy-to-access and comprehensive solutions. We are already faster and more flexible in services innovation now. Life insurance will be added to our product offer before the end of this year.

The quality **human capital** represents undoubtedly the biggest asset of the Bank as well as its biggest competitive advantage. CSOB staff, strengthened considerably by the KBC team, together with the Bank's very good reputation, is fundamental for future growth in shareholder value.

Let me express my thanks to the employees of the Bank for their support of the privatisation process and for their active participation in the integration process. In this respect, the year 1999 was a demanding year, and our employees have managed all extraordinary tasks without any negative impact on the Bank's business activities. I would also like to thank the KBC experienced specialists who have strengthened CSOB's managerial team in selected business and infrastructure areas and contributed considerably to a quick and effective integration.

Pavel Kavánek
Chairman of the Board of Directors
and Chief Executive Officer

CSOB
SHAREHOLDERS
(as at 31 December 1999)

SHAREHOLDER	% SHARE	NOMINAL VALUE CZK 000's
KBC Bank	71.24	3,636,845
EBRD	7.47	381,365
KB ABB CERA	5.55	283,445
KBC Verzekeringen	5.55	283,445
IFC	4.39	224,000
Other foreign shareholders in the Slovak Republic	1.35	68,700
TOTAL FOREIGN SHAREHOLDERS	**95.55**	**4,877,800**
Czech Republic	4.33	221,225
TOTAL CZECH REPUBLIC	**4.33**	**221,225**
Individuals	0.01	700
Shares under inheritance proceedings	0.01	275
Shares acquired by CSOB	0.10	5,000
TOTAL	**100.00**	**5,105,000**

CSOB's
PRIVATISATION PROCESS

18 November 1997	An outline privatisation plan for large Czech state-controlled banks agreed by the Czech government
5 March 1998	Schroders hired by the government as advisors for CSOB's privatisation
22 May	EBRD expressed its interest in participating in CSOB's privatisation
4 June	Announcements notifying CSOB's privatisation issued
26 June	Fifteen potential investors attracted
24 July	IFC expressed its interest in participating in CSOB's privatisation
11 November	Thirteen selected investors invited to take part in the tender
17 November	Information memorandum (prepared by Schroders) and auditor's accounting (KPMG) and legal (Allan & Overy) due diligence reports distributed to eleven investors
21 December	Preliminary bids submitted by investors
19 January 1999	Based on the preliminary bids, four investors were selected by the Managing Committee for CSOB Privatisation: BNP, Deutsche Bank, HypoVereinsbank and KBC to carry out a full due diligence of CSOB
2 February – 23 April	Investors' due diligence
10 March	BNP withdrew from the tender due to then attempted takeover of two French banks
26 April	HypoVereinsbank, KBC and Deutsche Bank submitted binding offers
31 May	Czech government decided to accept Belgian **KBC Bank's** bid for a **65.69 %** share in CSOB
24 June	The sales contract with KBC Bank signed
24 June	Transaction documents for purchase of **4.39 %** share of CSOB by **IFC** signed
22 July	Closure of the transaction with KBC Bank and transfer of shares
29 September	Transfer of shares to IFC
20 – 21 December	National Bank of Slovakia's stake in CSOB sold to **KBC Bank – 16.66 %** and **EBRD - 7.47 %**
29 December	Transfer of KBC Bank's 11% share in CSOB to **KBC Bank and Insurance Holding Company - 5.5 %** and **KBC Insurance - 5.5 %**

KBC BANK

KBC Bank and Insurance Holding NV was created in 1998 through the merger of three companies: ABB Insurance Group, Almanij-Kredietbank Group and CERA Bank Group. Banking and insurance activities of the new group have been integrated into two subsidiaries: KBC Bank and KBC Insurance. Although these companies are two independent legal entities, they are managed jointly by the Holding Company, which supervises the integration of KBC's banking and insurance activities, approves their strategy and provides for the Group's external communications.

KBC has a 20-25% share of the Belgian market in loans and deposits and a 10% share of the Belgian insurance market – chiefly in Flanders. It is active in about 30 countries outside Belgium, and boasts a capital base sufficiently broad to enable it to meet the European and other challenges.

The fundamental goal of the KBC Bank and Insurance Holding Company is to be an independent, medium-sized bancassurance institution in Europe, as well as one of the most profitable, underpinned by a strong position on the Belgian market and the steady expansion of its international activities. By spreading its activities, adhering to comprehensive risk management procedures and maintaining a strong balance sheet, the Group aims to obtain good credit ratings and preserve its high level of profitability and profit growth.

The strategy of the KBC Bank & Insurance Group builds on the strengths of the Group, more particularly and primarily its wide-ranging know-how, experience and systems regarding retail and commercial banking, life assurance, non-life insurance, asset management, trade and project finance, money and capital market activities, and derivatives.

The primary focus of KCB's international expansion will be the euro zone, where the Group aims to achieve sufficient size to enable it to play a significant role in specific countries – preferably those adjacent to Belgium.

Outside the euro zone, attention is focused chiefly on countries with substantial growth potential – primarily those in Central and Eastern Europe that are the most likely candidates for accession to the European Union. In 1999, KBC has made very important progress in this area with the purchase of a majority stake in CSOB in the Czech Republic, their increase of the participation in Kredyt Bank in Poland to 48.6 % and in K & H in Hungary to 32 %. KBC also increased the participation in the Czech insurer Chmelařská pojišťovna to 75 %, purchased a 23.3 % stake in the Polish insurer Agropolisa and increased the participation in the Hungarian insurer Argosz to 95 %.

KBC Bank ratings (as at 15 April 2000)

	Moody's	Standard & Poor's	Fitch IBCA	Thomson Financial
Long-term	Aa3	A+	AA-	AA
Short-term	Prime-1	A-1	F1+	TBW-1

Report of the Board of Directors on CSOB's Business and Property in 1999 and Its Goals for the Future

I. THE BANK'S COMMERCIAL ACTIVITIES IN 1999

The year 1999 was a turning point in the 35-year history of the Bank. The Bank obtained a new majority owner and strategic partner – the Belgian KBC Bank NV, which is a part of one of the biggest and strongest financial groups in Europe, KBC Bank Insurance Holding, with its activities strongly focused on the Central Europe region. The EBRD and the IFC became minority owners.

In 1999, CSOB began to benefit from the experience of KBC and realise synergies from this integration.

KBC, the new strategic investor and majority shareholder, confirmed the Bank's pre-privatisation strategy and development ambitions through:

- strengthening the CSOB management team with senior KBC specialists in selected areas of business or infrastructure;
- establishing structured management for the portfolio of development programmes in key business and infrastructure areas;
- developing synergies with the KBC Western and Central European operations, KBC being one of the major investors in the financial sector in the region (significant presence in the Czech Republic, Slovakia, Hungary and Poland).

By the end of October 1999, the ten Task Forces of the Integration Programme achieved quick synergies and process consistency with KBC in specific business and infrastructure areas (corporate customers, financial markets, international banking, retail, bank and market risk management, IT, fund and asset management, credit processes, MIS and Internal Audit).

In 1999 CSOB achieved very good business results, despite the unfavourable economic environments in the Czech Republic and the Slovak Republic and despite the fact that in the first half of the year a significant part of management's capacity was focused on privatisation.

The Bank generated the highest net profit of the four largest banks operating in the Czech Republic and recorded a **significant increase in both the number of customers and the volume of their deposits**. In 1999 the total number of Bank customers grew by 16 % to 362,000 and, at the same time, CSOB's market share of total deposits in the Czech Republic was higher than 9 %. The market share of total credits extended in the Czech Republic was approximately 8.5 %. CSOB managed to maintain its privileged position in the Czech Republic (and the Slovak Republic) in the area of export financing where it holds a market share of more than 30 %. In the area of international clean payments, the Bank's market share is over 20 % and in the area of documentary operations almost 30 %. Safe custody remains one of the Bank's strengths, holding a dominant position in that market.

The Bank's credit exposure

In view of the negative economic situation in the Czech Republic and the Slovak Republic and the lower availability of good quality lending opportunities, the 1999 credit exposure development was positive. The volume of loans extended to non-banking customers slightly decreased in 1999. The volume of loans extended before 1993 decreased (principally due to write-offs) and, at the same time, the Bank confirmed its ability to extend new loans of good quality, especially to top corporates and companies with foreign ownership.

Corporate banking

In 1999 the Bank **further developed its existing business relationships** with top corporates in the Czech Republic and continued to **acquire new customers** from this segment. The Bank offers corporate customers **structured finance** solutions/products which are tailored to their specific needs. Such structured finance solutions are the results of experts from the areas of international trade finance, loan syndications, project finance and financial markets working together as a team. Relationship managers ensure excellent communication with customers.

With the advent of the new strategic investor, KBC, CSOB and KBC corporate banking representatives began to approach clients jointly which resulted in an increase in the volume of transactions.

Among the most successful deals in 1999 was the participation in TRW's USD 7.4bn syndication financing to fund the Lucas Varity acquisition; CSOB was the only Czech participant.

The **syndicated loans** market, after a slow-down in the second half of 1998 caused by the Asian and Russian crises, began to recover in 1999. Due to this favourable development, the number of CSOB syndicated loan participations increased dramatically. Syndication activities concentrated on participating in loans arranged for foreign financial and non-financial institutions, especially in the preferred region of Central and Eastern Europe. The Bank achieved a notable increase in the number of highly structured transactions directed mainly to selected industry sectors. The Bank in co-operation with KBC in syndication activities returned to the Russian market (commodity facility for Sayansk Aluminium) and also took part in a syndication facility for Eurotel Slovakia.

The year 1999 confirmed that the **export buyer's credit** is an important and stable instrument of foreign trade financing and shows a constant upward trend. Compared to last year, the volume of export buyer's credits increased by 50 %. Despite some negative factors in the economies of countries that interest CSOB, the Bank succeeded in finalising the majority of business cases in the Commonwealth of Independent States, the Balkans and in Latin America.

CSOB continued **forfaiting** activities during the year 1999, however, the volume of the forfaiting portfolio decreased due to the weak market. In 1999, CSOB became a member of the newly established International Forfaiting Association (IFA). In the area of **commodity finance**, CSOB's credit exposure increased despite the fact that the prices for the majority of financed commodities decreased. Credit risk was diversified by increasing the number of commodities financed. One of the main objectives achieved was the creation of a stable customer base.

In the area of **project finance**, CSOB has participated in the financing of European infrastructure projects, the most significant of which were Europort in Poland and Autocesta Rijeka-Zagreb in Croatia.

Banking services for small and medium-sized enterprises (SMEs)

This customer segment is one of important interest for CSOB. The Bank is paying greater attention to the specific needs of this customer segment and is becoming an important partner for small and medium-sized enterprises.

In the process of developing its electronic payments system, the Bank offered its clients in 1999 a new distribution channel OB MultiCash – an electronic data interchange with a comfortable user interface placed at the customer's site, designed primarily for medium and smaller enterprises.

Retail services

A new strategic direction of CSOB's activities is an orientation towards retail services. The **successful increase in the number of retail customers**, by 17 %, continued in 1999 thanks to CSOB's reputation and financial strength. Also in 1999, the volume of primary deposits of retail customers grew by 14.5 %.

CSOB expanded its retail services in products and their distribution channels. In 1999 the Bank focused on developing a number of new products, which will complement the range of services to be offered to retail customers in 2000.

The Bank continued to develop its **payment card** services in the VISA and Eurocard/MasterCard systems. In 1999, the Bank achieved a 44% increase, year-on-year, in the number of issued cards. At the end of 1999, the Bank's market share in the area of card acceptance at points-of-sale in the Czech Republic reached 24 %. The Bank also continued to launch special limited issues of payment cards, which are of great interest to customers. At the end of 1999, the Bank operated 65 ATMs in the Czech Republic and in the Slovak Republic the number grew to 24.

In 1999 the Bank considerably increased the volumes of mortgage loans granted to both individuals and enterprises.

The Bank also took decisive steps aimed at increasing the volume of mutual fund units distributed to its retail investors through its branch network.

In 1999 the Bank further developed its **branch network** in the Czech Republic by improving the level of existing selling points. At the end of the year, the Bank operated 54 distribution points in the Czech Republic. In the Slovak Republic, the Bank started the development of a retail branch network in 1999 – three new retail branches were opened (Piešťany, Prievidza and Nové Zámky). The total number of distribution points in the Slovak Republic reached 17 by the end of the year.

International Banking

During 1999, the Bank further strengthened its **leading position in providing CZK clearing services to foreign banks**, mainly with the most important US and European participants in the CZK markets. The number of accounts maintained by the Bank for international financial institutions increased significantly. Similarly, a high volume of clearing services was provided by CSOB's Slovak branch to the major players in the Slovak financial markets.

The consolidation of services for non-bank financial institutions, mainly pension funds, insurance companies and brokers, into one specialised unit confirms the importance attributed by the Bank to this rapidly growing customer segment.

The Bank continued to be the most preferred local banking channel to handle **cross-border payments relating to Czech and Slovak exports and imports**. In order to further increase the effectiveness and quality of the Bank's services, the handling of documentary payments and guarantees was centralised to Prague Head Office and Main Branches in Brno, Ostrava and Liberec and to the Head Office in Bratislava of the foreign branch in the Slovak Republic.

The Bank retained its position as **the largest local custodian for foreign portfolio investors in the Czech Republic as well as in the Slovak Republic**. Despite the relatively low performance of the Czech and Slovak capital markets, the number of processed transactions increased by more than 10 %. **Global custody services for Czech investors** have been even more dynamic as the volume of Czech portfolio investment abroad under the Bank's administration increased more than three times in the last two years, and further growth is expected after changes in Czech legislation come into force in 2000. Under its **fund depository role**, the Bank is servicing, amongst others, pension funds, which account for more than half of all the beneficiaries.

Financial markets operations

Despite increasing competition, decreasing volatility and lower margins, CSOB has been able to maintain its market position and positive track record in the financial markets.

The Bank maintained its leading position in the **FX market** among the domestic banks. CSOB is mainly focused on the domestic CZK market, but it also trades actively in other currencies, such as EUR/USD. The real strength of the Bank is options trading, which is the most successful product in the FX area. In 1999, futures operations were carried out to a much larger extent, and the number of customers using this kind of product increased rapidly. CSOB started to play an active role in the Central European emerging markets, becoming a market maker in Polish zloty.

In the **money market**, the Bank strengthened its position compared to the previous year, when it became a major market maker in additional derivatives products (forward rate agreements – FRAs, interest rate swaps – IRSs). For the last couple of years, the Bank has already been one of the leading market makers in short-term securities (T-bills), deposits and FX swaps. The Bank has also maintained its solid position in the area of foreign emerging markets, especially in Hungary, Poland, Slovakia and Turkey. In order to broaden its range of products and meet clients' needs in 1999, the Bank began to work with index certificates and structured products.

As in previous years, in 1999 the **financial markets sales** team (customer transactions) generated most of its revenues from foreign exchange activities. In addition, the Bank launched several new money market products designed for corporate and municipal customers.

In 1999 the **Czech bond market** started briskly compared with previous years, while increasing range-bound trading. The main impulse, which set the tone for the Czech bond market, was a series of cuts in the CNB basic interest rates. Trades based on rate cut speculations created a relatively volatile market. The overall yield trend, despite several corrections, was down all the year. Throughout the year, the Bank's trading portfolio generated considerable interest income due to the holdings of high-yield corporate and bank bonds, as well as capital gains, which were realised due to the volatility of the market.

In **foreign bonds,** the Bank continued increasing its trading volumes **in foreign currency** issues while curtailing its holdings of, and trading in, **foreign-issued crown debt** throughout the year. The overwhelming majority of trading involved US and German government bonds. Holdings of high-spread bonds were reduced and new positions in these securities were avoided as the Bank continued its conservative credit risk strategy from the previous year. The Bank did well in foreign bonds, even during a year when most government bond portfolios ended deeply in the red.

The Bank avoided trading in the **Czech equity market** in 1999. Nevertheless, the Bank continues to monitor the development of domestic equities should it need to change its strategy. In **foreign equities** the Bank also decided to reduce its activities to customer brokerage.

As key interest rates decreased in 1999, the number of new **debt issue** launches increased. The Bank participated in a majority of the important domestic bond issues acting as either a Manager or Lead Manager. The expansion of promissory note issues successfully continued despite an unfavourable tax regime. CSOB participated in all government bond auctions and made them available to its clients.

In 1999 the Bank successfully continued to develop its **asset management** activities. The Bank has provided asset management services primarily to corporations, municipalities and non-profit organisations. Within the client portfolios, the Bank has concentrated on fixed-income assets, primarily domestic bonds and Czech crown eurobonds. As a result of this strategy, the performance of client portfolios benefited in 1999 from the continued trend of decreasing interest rates and rising bond prices. During 1999 the Bank increased its volume of managed discretionary client portfolios three times.

Broad activities undertaken on financial markets require the high-quality support that is provided by the **financial markets analyses** team. Last year, the regional dimension of CSOB's business activities on the financial markets was significantly strengthened, which was supported by analyses covering not only the Czech Republic, but also other countries of Central Europe (Slovakia, Poland and Hungary). The analytical team's customer focus and its support for the Bank's business activities are reflected in the sales activities. The Bank is an authority in the area of analyses and the opinions of its analysts are often presented in the media.

In 1999 the CSOB foreign branch in the Slovak Republic maintained its significant position in the Slovak financial markets. The Bank holds a leading position in the Slovak FX market. In the Slovak money market, the Bank belongs to the group of major market makers – it is one of seven reference banks. The Bank is also a significant market maker in the Slovak bond market. The year 1999 saw dynamic growth in trading for clients and the client base was extended primarily to include small and medium-sized companies and individuals.

CSOB's Financial Group

The Financial Group supplements the Bank's product offer by adding specific financial and supporting products to provide complete customer service for the Bank's target market segments. The Financial Group comprises: OB Leasing, a.s.; O.B. Heller, a.s.; O.B. Invest, a.s.; Consilium, s.r.o. and Prager Handelsbank AG.

In 1999, **OB Leasing, a.s**. continued to develop its business activities. Finance lease volume reached CZK 8.1bn in the year 1999, an increase of 32 % compared to year 1998. OB Leasing ranks among the three largest leasing companies in the Czech Republic and its market share is reaching 10 %. OB Leasing was the first financial leasing company in the Czech Republic to successfully implement, in May 1999, a system of quality assurance based on ISO 9002 standards. The business activities in Slovakia were carried out through its subsidiary OB Leasing, a.s. based in Bratislava, with the volume of its finance leases reaching SKK 1.6bn for the year 1999.

The year 1999 was very successful for **O.B. Heller, a.s.** - its turnover reached CZK 8.3bn, which is a 46% increase over the previous year. The company thus managed to keep its dominant position in the domestic factoring market. Its Slovak subsidiary, OB HELLER Factoring, a.s. based in Bratislava, also had a successful year 1999 when it reached turnover of SKK 2.1bn, a 71% growth on 1998.

Customer investments into open-ended mutual funds managed by the investment company **O.B. INVEST, a.s**. appreciated by up to 19 % due to quality fund management in 1999. The company administers almost CZK 2.6bn in assets. This places the company amongst the ten largest investment companies in the Czech Republic. In 1999 the opening of all closed-end mutual funds was successfully completed and the sales and purchase of share certificates in the opened funds were launched through the CSOB branch network. The intensive work on the opening of investment funds continued.

The investment banking boutique **Consilium, s.r.o.** maintained its leading position in the corporate finance advisory market in 1999 and confirmed its reputation as being a provider of high-quality advisory services, while adhering to the strictest professional and ethical standards. The most significant transaction completed last year was the sale of a majority stake in the joint-stock company Keramika Horní Bříza to a foreign strategic investor.

Prager Handelsbank AG (PHB) continued to provide short-term trade finance, documentary and non-documentary payments and advisory services to Czech and Slovak companies operating in the German market. After the privatisation of CSOB, PHB's credit activities were oriented towards supplementing the services provided by CSOB and KBC Bank, while realising synergies from servicing customers within the KBC Group.

Raising funds

In 1999 the primary sources of CSOB increased by 22 % and customer deposits in the foreign branch in the Slovak Republic even grew by 61 %. That reduced the Bank's dependence on the interbank market for funds. In view of the fact that there was no urgent need for new medium-term borrowings, the Bank closed only a limited number of bilateral or club stand-by borrowing facilities with banks such as Bawag, Berliner Bank/The Royal Bank of Scotland.

Credit Rating

The successful completion of CSOB's privatisation was reflected in its credit rating. **Moody's** upgraded the Long-Term Deposit rating of the Bank one grade from Baa2 to **Baa1**, which is the same rating as the Czech Republic. The Short-Term Deposit rating of **Prime-2** and the Financial Strength rating of **D+** were both confirmed at the same level. Moody's rating increase is based on the strategic opportunities with KBC Bank as a majority shareholder and CSOB's good financial fundamentals. Simultaneously, **Standard & Poor's** upgraded the Long-Term Deposit rating of CSOB from BB+ to **BBB-** (ie, investment grade). The Short-Term Deposit rating was increased from grade B to grade **A-3**. Standard & Poor's new ratings reflect the agency's opinion that KBC Bank will improve CSOB's creditworthiness by expanding commercial opportunities and improving its systems. At the same time, the rating is also influenced by the possible negative impact of the economic recession in the Czech Republic.

II. 1999 PROFIT AND LOSS STATEMENT AND BALANCE SHEET

Conservative policies of CSOB during the economic transformation and the recession of the Czech economy that followed, continue to bring positive results of high stable profitability. The 1999 performance of the Bank confirms CSOB's position in the Czech Republic as the bank with the highest equity and stability. The Bank maintained its high profitability, which contributed to the increase in shareholders' equity by CZK 4bn to CZK 31.5bn. The positive results will enable a 1999 dividend to be paid, therefore, the Board of Directors will propose a dividend of CZK 1,406m to the Annual General Meeting at 13 April 2000. The very good reputation of CSOB, its financial strength and support from the new majority shareholder, KBC Bank NV, create favourable conditions for further expansion of the Bank.

All of the financial figures set out below were extracted from CSOB's 1999 audited, consolidated financial statements prepared in accordance with International Accounting Standards (IAS).

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Prager Handelsbank AG (PHB) continued to provide short-term trade finance, documentary and non-documentary payments and advisory services to Czech and Slovak companies operating in the German market. After the privatisation of CSOB, PHB's credit activities were oriented towards supplementing the services provided by CSOB and KBC Bank, while realising synergies from servicing customers within the KBC Group.

Raising funds

In 1999 the primary sources of CSOB increased by 22 % and customer deposits in the foreign branch in the Slovak Republic even grew by 61 %. That reduced the Bank's dependence on the interbank market for funds. In view of the fact that there was no urgent need for new medium-term borrowings, the Bank closed only a limited number of bilateral or club stand-by borrowing facilities with banks such as Bawag, Berliner Bank/The Royal Bank of Scotland.

Credit Rating

The successful completion of CSOB's privatisation was reflected in its credit rating. **Moody's** upgraded the Long-Term Deposit rating of the Bank one grade from Baa2 to **Baa1**, which is the same rating as the Czech Republic. The Short-Term Deposit rating of **Prime-2** and the Financial Strength rating of **D+** were both confirmed at the same level. Moody's rating increase is based on the strategic opportunities with KBC Bank as a majority shareholder and CSOB's good financial fundamentals. Simultaneously, **Standard & Poor's** upgraded the Long-Term Deposit rating of CSOB from BB+ to **BBB-** (ie, investment grade). The Short-Term Deposit rating was increased from grade B to grade **A-3**. Standard & Poor's new ratings reflect the agency's opinion that KBC Bank will improve CSOB's creditworthiness by expanding commercial opportunities and improving its systems. At the same time, the rating is also influenced by the possible negative impact of the economic recession in the Czech Republic.

II. 1999 PROFIT AND LOSS STATEMENT AND BALANCE SHEET

Conservative policies of CSOB during the economic transformation and the recession of the Czech economy that followed, continue to bring positive results of high stable profitability. The 1999 performance of the Bank confirms CSOB's position in the Czech Republic as the bank with the highest equity and stability. The Bank maintained its high profitability, which contributed to the increase in shareholders' equity by CZK 4bn to CZK 31.5bn. The positive results will enable a 1999 dividend to be paid, therefore, the Board of Directors will propose a dividend of CZK 1,406m to the Annual General Meeting at 13 April 2000. The very good reputation of CSOB, its financial strength and support from the new majority shareholder, KBC Bank NV, create favourable conditions for further expansion of the Bank.

All of the financial figures set out below were extracted from CSOB's 1999 audited, consolidated financial statements prepared in accordance with International Accounting Standards (IAS).

PROFIT AND LOSS STATEMENT

The slight net profit decline during 1999 was attributed mainly to the decrease in the spread on financial markets resulting from a sharp reduction in interest rates, lack of investment opportunities on the domestic market and increased competition. The previous solution for loans originating from the period before the Bank's consolidation in 1993 and first-quality credit risk management of new loans granted subsequently led to stabilisation of the loan portfolio and a reduction in provisioning. In spite of an increase in operating expenses, due to privatisation and preparation for market expansion, costs were fully under control.

Profit for the year. Profit for the year was CZK 2.8bn. In spite of the unfavourable development of the economic environment, the Bank maintained its position as a stable and profitable domestic bank. As far as the performance ratios are concerned, the return on average assets (ROAA) reached 1.11 % and the return on average equity (ROAE) reached 9.57 %.

Net interest income. Net interest income decreased by CZK 2.1bn (23 %). It resulted from the decrease in CZK interest rates and a significant decline in margins due to pressures from increased liquidity in the market. The unfavourable economic environment in the Czech Republic and the low-quality institutional framework led to a limited supply of quality customer lending opportunities, which prevented a more rapid expansion of lending activities. Consequently, maturing funds and newly acquired funds were reinvested and invested into safer, but lower yielding, reverse repos, T-bills and interbank deposits.

Net commission income. Net commission income increased by CZK 43m (3 %) to CZK 1.6bn. The increase was attributable to growth in fees for account maintenance, securities operations and payment cards due to higher activity in these areas. On the other hand, the documentary transaction fees (guarantees, letters of credit and documentary collections) declined because of customers' preferences for clean, rather than documentary, payments, competition from other banks and the unfavourable development of the Czech and Slovak economies.

Net profit on financial operations. A year-on-year decline of CZK 54m (2 %) was due primarily to the decrease in net foreign exchange gains and an increase in interest rate derivative losses, which were influenced by the unanticipated sharp decline in interest rates.

Operating expenses. The Bank succeeded in keeping operating expenses under control in spite of their growth by CZK 487m (8 %). It was mainly attributable to higher general administrative expenses associated with privatisation and KBC integration, continued legal proceedings regarding Slovenská inkasná and further development of the Bank's activities (new Slovak retail branches and an upgrade of the PC-based communications network). Shortening the IT fixed asset depreciable life from 4 to 3 years resulted in an increase in the depreciation charge for the year.

Provisions for credit losses. Provisions for credit losses fell by CZK 3.3bn (78 %). The low provision charge in 1999 is a result of a long-term process of approaching a European-standard in the quality of the loan portfolio and provision charge requirements. In the run up to privatisation towards the end of 1998, a complete and in-depth review of the "historical" credit portfolio (loans related to the period of centrally managed economy) was undertaken. As a result, further provisions were created thus covering any possible remaining credit risks associated with those exposures. During 1993-1999, the Bank raised provisions against the "historical" credit portfolio amounting to CZK 31.5bn and took an active role in solving these credit exposures. The credit provision charge dropped in 1999 and it is not anticipated that further provisions will need to be raised against the "historical" credit portfolio.

BALANCE SHEET

At the end of 1999, consolidated assets totalled CZK 258.2bn, which represents a 2.5 % increase over 1998. This increase was primarily due to an expansion in loans and advances to banks caused by the increased inflow of primary deposits.

Cash and balances with central banks. Cash and balances with central banks decreased by CZK 3.4bn (24 %) due to reductions throughout 1999 in the obligatory minimum reserve requirement of the Czech National Bank from 7.5 % to 2.0 %. This positive influence was partially offset by a new National Bank of Slovakia regulation (since 1 April 1999) which requires deposits from non-resident banks to be included in the deposit basis for calculating the obligatory minimum reserve amount.

Treasury bills. The Bank invested the inflow of liquidity, among other assets, in Treasury bills, which resulted in an increase of CZK 5.2bn (149 %).

Loans and advances to banks. The volume of loans and advances to banks increased by CZK 31.4bn (37 %) because of a lack of sufficient quality customer credit opportunities.

Loans and advances to customers. Although total gross customer loans decreased CZK 21.5bn (16 %), modest growth was achieved after considering large repayments (Banka Bohemia and Česká inkasní), write-offs of CZK 4.95bn and the intentional reduction of certain low-quality credit exposures. Further growth was limited due to the low volume of acceptable customer credit extension opportunities. In 1999 the Bank resolved its claim against Banka Bohemia. The loan to Banka Bohemia (CZK 16,997m) and the deposits pledged against it from the CNB and the Czech Ministry of Finance were offset due to the execution of an agreement between CSOB, the CNB and the Czech Ministry of Finance on 12 July 1999 which also transferred the loan to the CNB.

Debt securities and equity shares. Debt securities decreased CZK 2.1bn (18 %). On the domestic side, matured and sold bonds were not replaced by other bonds because of a lack of quality issues in the market. On the foreign side, US Treasuries were sold due to the unfavourable development in their market prices. Equity shares declined by CZK 2.1bn (58 %) mainly due to a large shift of liquid assets from an equity share fund to money market deposits. The equity shares trading portfolio was also reduced to improve its quality.

Property and equipment. The carrying value of property and equipment decreased by CZK 452m (5 %) due to shortening the depreciable life of IT equipment from 4 to 3 years and an increase in the fixed asset capitalisation limit from CZK 20,000 to CZK 40,000 allowed by Czech law.

Amounts owed to banks. Amounts owed to banks decreased by CZK 21.9bn (33 %) which was primarily attributable to the offset of the CNB pledged deposits (CZK 14,521m) against the Banka Bohemia loan in July 1999. Further, the Bank became less dependent on interbank funding because of the increase in cheaper customer deposits, deposit bills of exchange and Certificates of Deposit (CDs).

Amounts owed to customers. Amounts owed to customers increased by CZK 13.2bn (12 %). The attraction to the Bank can be attributable to its reputation and financial strength.

Debt securities in issue. The volume of Debt securities in issue increased by CZK 16.4bn (74 %). It rose primarily from the higher volume of deposit bills of exchange, which were promoted since end-1998. Also, the volume of CDs sold in Slovakia grew from CZK 0.7bn to CZK 2.4bn during 1999. SKK bonds issued in 1995, amounting to CZK 2bn, matured in December 1999.

Reserves. The transfer of 1998 retained earnings to the Statutory reserve (CZK 3.3bn) in 1999, as instructed by the 1998 Annual General Meeting, was the main contributor to the increase. Further, the after-tax, and after minority interest, gain of CZK 1.1bn from the sale of CSOB treasury shares to the IFC was credited to the Share premium reserve.

Derivative financial instruments. The total notional amount of trading derivatives increased, which is attributable to certain products reaching mature levels in their product cycles. The volume of interest rate related contracts increased. FRAs are now the most liquid product on the derivatives markets. The notional amount of asset and liability management derivatives increased from more active management of the Bank's non-trading interest rate positions.

Capital adequacy. The Bank achieved an extraordinarily high capital adequacy ratio - 20.2 % (according to CNB methodology) as at the end-1999. In view of the specific conditions of the market in the Czech Republic capital adequacy at a minimum level of 12 % is considered to be acceptable.

III. FUTURE GOALS OF THE BANK AND INTEGRATION INTO THE KBC GROUP

CSOB Mission statement

CSOB will be the prime regional financial services group:

- We differentiate ourselves by the highest standards of professionalism, ethics and efficiency.
- By creating value for our customers we create sustainable high value for our shareholders.
- Our continuing priority is to provide easy access and complete solutions to our customers.
- We are creative, hard working and accountable. We are a learning team. We compete to be the employer of choice.

Development strategies

Even before privatisation, the Bank was a strong and stable entity with a vision for its further development. The Bank's potential and its strategic vision were significantly enhanced with the advent of its new, financially-strong, strategic partner. The strategic development is reflected concretely in initiatives structured in a portfolio of 12 business strengthening and infrastructure enhancing programmes driven by the Bank's most experienced project managers.

The new business architecture of the Bank

The Bank's new business architecture is a key strategic element. The Bank is leaving behind the product approach and is gradually being converted into a client-oriented entity. Accordingly, four new customer segments were defined which will enable the realisation of this new focus. They are: large domestic and international corporates, financial institutions, SMEs and retail banking.

The Bank will develop this strategy on both the Czech and Slovak markets.

Corporate banking

In the past, the Bank concentrated mostly on providing services to large companies, active especially in the area of foreign trade. Nevertheless, it gradually broadened its scope to include other corporates.

The Bank will continue to pay extraordinary attention to corporate clientele. The integration with KBC will enable the Bank to develop co-operation with international corporations. Special emphasis will be put on cross-selling and an intensification in all product categories which will enable the Bank to increase the proportion of fees as a percentage of total income. The Bank will further maintain its conservative approach to risks.

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Small and medium-sized enterprises (SMEs)

The Bank is the third largest Czech bank operating in this customer segment (measured by the number of clients) with a growing market share. The Bank serves primarily the most sophisticated SMEs and maintains a dominant position in foreign payments and a very strong position in foreign exchange operations with a very conservative risk profile (a low share of SME loans compared to competitors).

SMEs are becoming one of the main target client segments for CSOB. The Bank's market share should double with a goal to lead the market in quality and also scope of SME services provided over the medium term.

The Bank's product portfolio will be enriched with new attractive products covering specific SME credit, deposit and transaction needs including a strong emphasis on electronic-banking as well as other alternative distribution channels. An account management system providing complex relationship banking will also be offered to SMEs.

The full SME support will include cross-selling of leasing and insurance products and SME advisory services.

Retail banking and non-banking financial services

In the past, the Bank was not primarily oriented on providing extensive retail services. Nevertheless, the Bank became involved in retail activities through the gradual development of its branch network and became an important market player in the area of financial services for retail clients.

Retail banking is a strategic area for the Bank. The Bank expands its retail operations in both republics and intends to become one of the major retail market players.

A substantial improvement in market coverage is underway, based on small, service-focused branches in the Czech Republic and the Slovak Republic which is a key element of the retail expansion. The establishment of new call-centres and self-service zones will improve the Bank's delivery capacity and increase its service level. On the other hand, the Bank has dedicated substantial effort towards more efficient processes and an increase in the service capacity of the existing branch network.

The Bank will directly provide target product lines including new deposit and investment products, consumer loans, mortgage packages and new cards.

In order to achieve a comprehensive service offer for retail clientele, some products will be delivered by special business vehicles controlled by, or linked to, the KBC Group. The Bank will use KBC's experience by serving its customers with insurance products. In the medium-term, pension and building savings products will be offered to customers.

Other major change initiatives

- The Bank's financial and risk control is being enhanced through a higher-quality management information system. The performance of the treasury function is being considered and improvements will be introduced.
- Operational efficiency is being enhanced through a large-scale rationalisation programme targeting Prague and Bratislava Head Offices and the above-mentioned optimisation of the branch network.
- The change management programme is setting customer-oriented values and behaviour, and translating them into the human resource management system.
- A special programme takes into account the specific conditions in the Slovak Republic and ensures consistency in the local implementation of the Slovak components of all other development and change activities.

Risk management

The Bank's approach to risk management is very conservative. The major risks associated with CSOB's business activities are credit risk, market risk and liquidity risk. The Bank has established a comprehensive framework for managing these risks which is continually evolving in response to changes in the Bank's business activities and development of the markets. Important procedures in the area of risk management are the establishment and monitoring of limits against the respective exposures.

The Board of Directors of the Bank have overall responsibility for risk management. The authorities in the individual areas of risk management are delegated by the Board of Directors to supporting committees, especially to the Asset and Liability Committee (ALCO) and the Credit Committee.

At the end of 1999, the activities and processes undertaken in risk management were integrated, as in other areas of the Bank's activities, into the majority shareholder's operational structure.

CREDIT RISK MANAGEMENT

Credit policies

The basic credit policy document is reviewed and approved by the Board of Directors on a regular basis. The most important principles contained in this document determine the risk profile of the Bank. These principles include, amongst others, the Bank's policy towards certain products, types of deals, industry sectors or customer segments, and, last but not least, the basic responsibilities, powers and controlling mechanisms respecting the basic regulatory framework established by the Czech National Bank (CNB). These principles are then translated into the credit process in the form of specific rules applied bank-wide.

The basic procedures relating to the credit area have been summarised in the so-called Credit Manual, which provides the methodology for all of the decisive phases of the credit process – from the standard structure of a credit proposal to internal rating system guidelines and provisioning, accepting collateral and monitoring. The Credit Manual sets out the co-operation amongst individual Bank departments (eg, the special procedures dealing with bad debts). The Credit Manual also includes standard contractual documentation that is continuously reviewed and updated with regard to the development of legislation and the experience gained by the Bank. The Credit Committee, established at Head Office with representatives from the credit risk management area and business departments, apart from evaluating individual credit cases also approves the credit methodology.

The credit policy reacts to both internal and, primarily, external conditions under which the Bank operates. Against the development of the economic and legal environment in the Czech Republic, the Bank in 1999 also continued to promote its conservative credit policy. The Bank's goal was not primarily credit expansion, but diversification of its credit portfolio through high-quality credit deals lowering the share of classified credit exposures and thus decreasing the need for provisions. At the same time, concentrations of exposures to the largest debtors and certain industry sectors are being reduced.

Organisation – separate management, centralisation, independence

CSOB has traditionally maintained an independent and centralised credit risk management model, which in the crucial pre-privatisation period contributed significantly to the creation of a credit risk management system representing best practice of banks in other OECD countries. This helped the Bank distinguish itself from its domestic competitors and it also added significant value for its shareholders.

In 1999 the centralisation of the credit risk management function was completed by merging the team responsible for bank counterparty and country risk management into the Credit Risk Management Department, which became responsible for credit risk management of the entire CSOB Financial group. This new structure, of course, preserved the existing principles of good credit risk management at CSOB which include: delegation of powers to an individual based upon annual appraisals, consistent adherence to the "four eyes" principle, utilisation of experience gained from monitoring the branch network and involvement of the most experienced credit officers in the training process. The step facilitated the integration of CSOB's credit processes with its new majority shareholder, whose credit philosophy is very similar. It also allowed the quick establishment of communication lines for joint management of limits for bank counterparties, countries and selected corporate clients whilst, at the same time, taking full advantage of the synergies created on both sides. The same is true of the credit reporting process.

Credit rating system

To evaluate solvency, the Bank uses a rating system that categorises clients into solvency classes on the basis of assessing financial and non-financial criteria and taking into account payment default as well as default of other obligations. The Bank uses a seven-grade scale. The first three grades (A-C) represent "standard" or "unclassified" loans, the remaining grades (D-G) represent "classified" loans. This categorisation expresses the level of risk related to a specific exposure to which appropriate limit approval is required, a minimum risk margin is applied, a system of a continuous monitoring is adopted and provisions created, if necessary. In evaluating financial indicators, a "look behind the figures" rule is consistently applied to identify all risks relating to a client's business. The Bank considers non-financial indicators in the evaluation process as well; for example, management quality, competitiveness and supplier and buyer diversification.

Internal control

An efficient mechanism contributing significantly to the Bank's continuous improvement of its credit portfolio quality are the controls conducted by the credit review team, which commenced its activities at the close of 1998. The purpose of the control is not to penalise but to back-test and draw attention to the most important parts of the credit process: proposal of an appropriate structure of finance, assignment of credit rating, selecting financial covenants, establishing collateral values and, in general, adhering to the internal regulations and assigned powers. The main benefit is to take the lessons learned from the very early detection of potential problems and, accordingly, update the credit policies and improve the credit methodology. The credit review outcome is an input for the regular assessments of the branch network with an impact on the credit-granting powers assigned to a name.

Software support

The implementation of the comprehensive information system will provide an improvement in the quality of credit risk management. The system will enable credit exposure monitoring down to the transaction level on a daily basis, simplifying both the monitoring of group risks and the reporting process in general. It will also enable various and flexible analyses of the credit portfolio through ad hoc inquiries. The process of the software installation is drawing to a close and its implementation is scheduled for 2nd quarter 2000.

Collateral valuation

The Bank continued its cautious approach in the valuation of security instruments held as collateral. Only a few security instruments are considered to be first-class collateral, and a number are given zero value. The Bank is especially conservative in valuing pledged real estate. A very low proportion of real estate in the total collateral package has prevented the creation of additional provisions, even after the introduction of regulatory measures on collateral valuation and negative price movements in the real estate market.

Quality of customer (non-banking) loan exposures

Non-performing loans (NPLs = loans > 90 days overdue) (IAS unconsolidated)

	31 December 1998			31 December 1999		
	Total	Historic cases*)	Current business*)	Total	Historic cases*)	Current business*)
NPLs (CZKm) **)	16,562	14,999	1,563	15,709	12,352	3,357
NPLs as % of total loans***)	15.0	13.6	1.4	15.2	11.9	3.2
Provisions (CZKm)	13,485	12,378	1,107	12,003	9,823	2,180

Notes:

* Total loans to non-banking customers are split into the current business portfolio and the historic cases portfolio – Czech Collection Unit (CCU), Slovak Collection Unit (SCU) and all other loan customers included in the second stage of CSOB's consolidation at end-1993 (ie, bad loans related to the period of the centrally managed economy against which provisions were created in 1993). CCU and 90 % of SCU exposure are considered to be non-risky and, therefore, rated "standard".

**) 10 % of SCU is included

***) Banka Bohemia is excluded from total loans as at 31 December 1998 to facilitate comparability.

Source: Internal management information system

Non-performing loans formed 15 % of total loans and advances to customers as at 31 December 1999, of which historic cases accounted for about 80 %. It means that non-performing loans from the current business portfolio formed only 3 % of the total loans and advances to customers as at 31 December 1999. Unpaid interest on non-performing loans is reversed when put on non-performing status.

Loans to (non-banking) customers by type of collateral

Type of collateral	Share of total collateral (in %)	
	31 December 1998	31 December 1999
Guarantees of governments and banks	40.63	35.71
Real estate	4.58	4.86
Receivables	9.62	11.75
Other collateral	6.16	4.38
Uncollateralised	39.01	43.30
Total	100.00	100.00

Note:

Includes CCU, SCU and Banka Bohemia.

COUNTRY AND BANK RISK

Policies and procedures

Since the beginning 1999, the country and bank risk management functions have been transferred to the Credit Risk Management Department. The Bank Relations Department, previously responsible for country and bank risk management, is now responsible for relationship management, providing banking services to correspondent banks worldwide and proposing bank limits. The same bank and country risk management structure was adopted by Prager Handelsbank AG in 1999.

Country risk

Being part of the KBC Group, CSOB takes the same approach towards country risk management as, and shares country limits with, KBC. Both banks utilised very similar country risk management methodologies before KBC purchased a majority stake in CSOB; as such, the Bank carries on country risk management without significant change to its original conservative approach.

The Bank's first step in the assesment of an individual country's risk is an internal analysis of the respective political and economic risk factors. Rating agency risk assessments are additional sources of information used mainly for comparison. On the basis of the assessment, the Bank then follows its own procedures in the management of individual foreign assets.

Country exposures by main geographical regions (IAS unconsolidated)

CZKm **31 December 1999**

Region	Total risk exposure	Of which by type of transaction: Dealing	Short-term commercial	Credits
Western Europe	48,684	29,682	652	18,126
North America	1,850	1,468	164	176
Central and Eastern Europe*)	1,685	18	186	686
Asia	807	8	459	300
Latin America	548	-	533	15
Africa	189	-	79	108
Australia	1	-	1	-

Notes:

Dealing – money market, foreign exchange and financial derivatives

Short-term commercial – confirmed letters of credit and forfaited trade-related paper with bank risk

*) the Czech Republic and the Slovak Republic excluded

Country exposures in emerging market countries with higher risk (IAS unconsolidated)

CZKm **31 December 1999**

Region	**Total**	**Of which by type of transaction:**				**Total**
• Country	**risk**	**Short-term**	**Credits**	**Export**	**Performance**	**provisions**
	exposure	**commercial**		**financing**	**risk**	
Central and Eastern Europe	928	85	358	36	450	602
• Russia	892	84	358	-	450	566
• Yugoslavia	32	-	-	32	-	32
• Romania	3	-	-	3	-	3
• Bosnia & Herzegovina	1	-	-	1	-	1
Asia	466	285	141	40	-	135
• Turkey	415	285	90	40	-	84
• Iraq	51	-	51	-	-	51
Latin America	292	292	-	-	-	58
• Argentina	139	139	-	-	-	28
• Brazil	153	153	-	-	-	31

Note:
Performance risk – transactions with the performance risk of commercial obligation by the borrower

Exposures to emerging market countries with higher potential risk accounted for only 0.6 % of the Bank's total credit exposure, including off-balance sheet at end-1999.

Bank risk

In bank credit risk management, similar to country risk management, the Bank carefully monitors individual exposures to all of its banking counterparties. Initially, the creditworthiness of a bank is evaluated by analysing the country risk, the bank's position in the market, the financial as well as non-financial risk factors and the probability of support. Subsequently, the appropriate and approved limits for individual banks structured by asset categories are entered into the Bank's internal information systems. The Bank shares counterparty limits with KBC but is responsible for evaluating its own proposed transactions and ensuring a proper level of diversification in the credit portfolio.

MARKET RISK MANAGEMENT

Market risk management is the process to reduce the negative financial effects from movements in market prices (foreign exchange rates, interest rates and share and commodity prices). In the process of managing these risks, positions of individual instruments are evaluated and compared against corresponding limits. If the limits are exceeded, the positions are closed or hedged through adequate hedging operations.

Market risk management is carried on in both the trading and the non-trading (banking) books. At the same time, the development of cumulative Bank positions is monitored centrally. The trading book maintains records of speculative transactions executed with the aim to make profit on the difference between the original price of a product and its sales price, especially in the short-term horizon. The banking book mainly includes operations relating to the provision of customer services which includes hedging that portfolio against financial risks.

All activities performed in Risk Management are focused on the entire Bank portfolio (monitoring and managing). The monitoring of market risks arising from the trading book is the responsibility of the Middle Office Department.

MARKET RISK OF THE BANKING BOOK

Foreign exchange risk

Foreign exchange risk is monitored and managed by analysing open currency positions in individual currencies and relevant currency groups. The Risk Management Department monitors the currency-related risk for the entire Bank (for both the trading and banking books). Open foreign currency positions of the trading portfolio are included in the limits for overall open positions of the entire Bank; however, the trading portfolio foreign currency positions are not managed directly by the Risk Management Department. On the basis of internal procedures, the Risk Management Department is able to identify open foreign exchange positions of the Bank throughout the entire day, real-time, and utilises this information to manage foreign currency risk in an optimum way.

The Risk Management Department manages open foreign currency positions on a daily basis by making use of the Bank's internal information system, data incorporated in the system supporting financial markets participants – Global Trader, and its own programming methods. Limits for the management of open foreign currency positions have been established by CNB regulation. The Bank adheres to a conservative policy in foreign currency positions – internal limits are more strict than the regulatory limits.

Total Bank open foreign currency position (as a % of regulatory capital)

	CNB limit	FX position ratio at:	
		31 December 1998	31 December 1999
Total open position	20.00	6.47	3.67
CZK open position	15.00	2.69	0.89

Interest rate risk

Interest rate risk is monitored and managed based on analyses of the development of the Bank's open interest rate position by individual currencies reflecting differences between interest rate-sensitive assets and liabilities by respective time bands. Monitoring interest rate risk is carried out mainly using an interest rate GAP analysis.

The assessment of interest rate positions takes place monthly and consists of comparing the average open interest rate positions of the Bank with the respective limits. The limits for an interest rate position are expressed as the maximum acceptable open interest rate position as a percentage of the total assets in a specific currency. If the actual open position exceeds the limit, the position is reduced, or hedged, through a derivative transaction. The decision to carry out such an interest rate hedging operation, based on the recommendation of the Risk Management Department, is the responsibility of ALCO.

The newly implemented integrated software will be used to assess and monitor the development of an open interest rate position and to establish its potential influence on the Bank's business results. By using its capacity for simulation and stress testing of various balance sheet development scenarios, management of interest rate risk will be greatly enhanced.

The cumulative interest rate GAP analysis of the Bank at end-1999 shows that the Bank was interest rate sensitive on assets. This was due to the interest rate structure of the balance sheet items. Based on the decision of ALCO, CZK 14bn of interest rate position hedging was executed during the year, which decreased the interest rate sensitive assets. The SKK interest rate position at end-1999 was minimal because the interest rate on the SCU loan, the largest SKK asset, is based upon a margin over internal cost of funds. At end-1999, the interest rate risks arising from open USD and EUR positions were reduced by interest rate hedging transactions totalling USD 450m and EUR 390m respectively.

MARKET RISK OF THE TRADING BOOK

General principles

The main aim of the Bank's trading activities on the financial markets is to maximise revenues from trading operations whilst retaining a safe level of associated risks. Daily monitoring of all market risks arising from the trading book operations is the responsibility of the Middle Office. The basic tool used for risk management is a comprehensive set of limits that cover foreign exchange risk, interest rate risk, equity risk and commodity risk (the Bank is not active in commodity trading at present).

Foreign exchange risk

The Bank has been active traditionally in foreign exchange operations on both the domestic and international markets. Market risks relating to this activity are managed by a static limit (restricting the size of the funds available to individual traders) that sets out the maximum open position in foreign currencies as well as a dynamic Value-at-Risk limit. The Bank's activity in currency options is risk managed, amongst other ways, by limits based on the portfolio's sensitivity to volatility and changes in foreign exchange rates.

Interest rate risk

CSOB has a broad trading activity on both the money and capital markets which is naturally associated with interest rate exposure. In order to reduce interest rate risks related to yield curve movements, positions are hedged, partly by various derivative instruments. Interest rate mismatch limits as well as sensitivity-based Value-at-Risk limits are used to restrict potential losses.

Equity risk

Even though the Bank's equity trading is not significant, nominal limits as well as limits based on Value-at-Risk are used to reduce risk. The liquidity of various equity shares on the market, a significant component of equity risk, is also monitored by the Middle Office Department.

VAR exposures from financial markets trading operations

CZKm

	Method	Parameters	Exposure as at 31 December 1999
Foreign exchange risk	Value-at-Risk	Holding period: 1 day	4.66
	Historical simulation	Two-sided confidence	
Interest rate risk	Value-at-Risk	level: 97.5 %	22.33
		Historical period:	
Equity risk	Value-at-Risk	100 business days	0.00

Note:

The Value-at-Risk (VAR) exposure indicates the maximum loss the Bank could expect to suffer within a pre-defined degree of probability. The Bank did not exceed its VAR limits as at 31 December 1999.

LIQUIDITY RISK

Liquidity risk is monitored and managed from a short-term (operational) as well as a medium- and long-term (structured liquidity) perspective.

Short-term, crown-denominated liquidity is managed through payment account balances with the CNB and the NBS (clearing account/statutory minimum reserves). For foreign currencies, short-term liquidity is managed through foreign currency nostro accounts.

Medium- and long-term liquidity is monitored and managed separately by individual currency through the time structure of the balance sheet and through liquidity risk management ratios. A balance sheet structure plan is valid for a given calendar year which indicates the minimum time mismatch limit for assets refinancing by maturity-adequate liabilities (resources). The development of the following liquidity ratios is monitored on a weekly basis: liquid assets ratio (liquid assets/total assets), liquidity ratio (customer loans/customer deposits) and securities ratio (liquid securities/total assets).

Ratio shortfalls are covered through interbank money market transactions.

The liquid assets ratio - liquid assets / total assets (in %)

	31 December 1998	31 December 1999
CZK	44.74	38.67
EUR	16.47	35.91
USD	30.65	28.12
SKK	18.45	31.52

The liquidity ratio – customer loans / customer deposits (in %)

	31 December 1998	31 December 1999
CZK	75.64	56.79
EUR	116.97	89.61
USD	80.98	76.99
SKK	186.90	123.48

The above ratio tables indicate that the liquidity of CSOB was sufficient at year-end 1999 and 1998. Data for the above tables were extracted from the management information system of the Bank.

LEGAL RISK

The total amount of claims brought against the Bank where court proceedings are still pending amounts to CZK 236.7m as at 31 December 1999. The litigation is mainly associated with loans to customers and foreign trade financing including international payments. A review of that litigation as at 31 December 1999 resulted in a minor provision of CZK 64m being created against possible losses. Unfavourable rulings to such cases are not expected to have a material adverse effect on the financial condition of the Bank. The Bank’s insurance policy covers a substantial part of the potential losses related to the above mentioned claims.

FUNDING

The Bank’s funding strategy is generally determined by the Board of Directors and ALCO. During its regular meetings, ALCO reviews the current balance sheet structure and funding policy, evaluates funding possibilities and decides on funding optimisation.

Funding source mix – deposits and other funds

(CZKm) (IAS consolidated)

	31 December 1998	31 December 1999
Customer deposits	113,328	126,498
Current accounts	39,556	42,073
Term deposits	73,772	84,425
Interbank market	67,255	45,363
Current accounts	16,724	1,858
Term deposits	26,913	16,764
Borrowings	23,618	26,741
Debt securities in issue	22,329	38,750
Bonds	14,024	12,085
Certificates of deposit	1,471	2,570
Promissory notes	6,834	24,095

At the end of 1999, customer current accounts and term deposits accounted for 56 % of CSOB's total liabilities and their share in the funding source mix increased by 5 percentage points from the end of 1998. Interbank market accounted for 20 % and debt securities accounted for 17 %. Customer deposits and debt securities increased by 22 % and dependence on the interbank market decreased by 33 %.

Statement by the Supervisory Board of CSOB

1 The Supervisory Board has performed its tasks in accordance with Articles 197 - 201 of the Commercial Code as amended, CSOB's Articles of Association and Supervisory Board's rules of conduct. The Board of Directors has submitted regular reports on CSOB's activities and its financial situation to the Supervisory Board.

2 The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards. The Bank has also prepared unconsolidated financial statements in accordance with the Act on Accounting and relevant legislation of the Czech Republic.

3 The financial statements were audited by PricewaterhouseCoopers Audit, s.r.o., Praha. The auditors have opined that the consolidated financial statements present fairly, in all material respects, the financial position of the consolidated group as at 31 December 1999, and of the consolidated group results of operations and cash flows for the year ended 31 December 1999 in accordance with International Accounting Standards. The auditors have also opined that the unconsolidated financial statements present fairly, in all material respects, the assets, liabilities and equity of CSOB as at 31 December 1999 and the results of its operations for the year ended 31 December 1999 in accordance with the Act on Accounting and relevant legislation of the Czech Republic.

4 The Supervisory Board has reviewed the 1999 annual financial statements and the proposal for distribution of profit and has accepted the results of the audit of the 1999 annual financial statements and has recommended to the General Meeting to approve them.

Remi Vermeiren
Chairman of the Supervisory Board
and President KBC

ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1999

(according to International Accounting Standards)

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999
(according to International Accounting Standards)

(CZKm)	Notes	1999	1998 (Restated)
Interest income		21,255	27,318
Interest expense		(14,264)	(18,263)
Net interest income	4	**6,991**	**9,055**
Net (loss) profit on investment securities and participating interests	5	(12)	950
Commission income		2,607	2,408
Commission expense		(1,007)	(851)
Net commission income		**1,600**	**1,557**
Net profit on financial operations	6	2,436	2,490
Other operating income		825	976
Non-interest income		**4,849**	**5,973**
Operating income		**11,840**	**15,028**
General administrative expenses	7	(4,505)	(4,091)
Depreciation and amortisation		(1,093)	(983)
Other operating expenses		(738)	(775)
Operating expenses		**(6,336)**	**(5,849)**
Operating profit		**5,504**	**9,179**
Credit loss provisions	12	(938)	(4,244)
Profit before taxation		**4,566**	**4,935**
Income tax expense	8	(1,683)	(1,726)
Profit after taxation		**2,883**	**3,209**
Minority interests		(60)	(50)
Profit for the year		**2,823**	**3,159**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1999
(according to International Accounting Standards)

(CZKm)	Notes	31.12.1999	31.12.1998 (Restated)
ASSETS			
Cash and balances with central banks	9	10,493	13,865
Treasury bills		8,677	3,489
Loans and advances to banks	10	115,257	83,883
Loans and advances to customers	11	97,046	116,505
Debt securities	13	10,004	12,136
Equity shares	14	1,479	3,543
Interests in associated companies	15	262	348
Property and equipment	16	9,345	9,797
Other assets, including tax assets	17	3,382	6,191
Prepayments and accrued income		2,332	2,255
Total assets		**258,277**	**252,012**
LIABILITIES			
Amounts owed to banks	19	45,363	67,255
Amounts owed to customers	20	126,498	113,328
Debt securities in issue	21	38,750	22,329
Other liabilities, including tax liabilities	22	8,661	12,653
Accruals and deferred income		3,209	3,529
Provisions for off-balance sheet credit risk	12	3,809	4,769
Total liabilities		**226,290**	**223,863**
Minority interests		**509**	**648**
SHAREHOLDERS' EQUITY			
Share capital	23	5,105	5,105
Reserves		19,659	15,349
Treasury shares		(68)	(203)
Retained earnings		6,782	7,250
Total shareholders' equity		**31,478**	**27,501**
Total liabilities and shareholders' equity		**258,277**	**252,012**

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 29 February 2000 and signed on its behalf by:

Pavel Kavánek
Chairman of the Board of Directors
and Chief Executive Officer

Josef Tauber
Vice-Chairman of the Board of Directors
and Senior Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 1999
(according to International Accounting Standards)

(CZKm)	Notes	Share capital	Reserves Statutory	Reserves Share premium	Reserves Translation	Treasury shares	Retained earnings	Total Equity
At 1 January 1998 – as previously reported		5,105	11,992	0	79	(1)	6,814	23,989
Effect of additional companies consolidated	2c)				2	(1)	680	681
At 1 January 1998 – as restated		**5,105**	**11,992**	**0**	**81**	**(2)**	**7,494**	**24,670**
Currency translation differences, not recognised in the profit and loss statement					(127)			(127)
Profit for the year							3,159	3,159
Transfer to statutory reserve			3,403				(3,403)	0
Purchase of treasury shares						(200)		(200)
Other acquisitions						(1)		(1)
At 31 December 1998		**5,105**	**15,395**	**0**	**(46)**	**(203)**	**7,250**	**27,501**
At 1 January 1999 – as previously reported		5,105	15,395	0	(41)	(164)	6,214	26,509
Effect of additional companies consolidated	2c)				(5)	(39)	1,036	992
At 1 January 1999 – as restated		**5,105**	**15,395**	**0**	**(46)**	**(203)**	**7,250**	**27,501**
Currency translation differences, not recognised in the profit and loss statement					13			13
Profit for the year							2,823	2,823
Transfer to statutory reserve			3,291				(3,291)	0
Purchase of treasury shares	3)					(776)		(776)
Sale of treasury shares	3)			1,006		911		1,917
At 31 December 1999		**5,105**	**18,686**	**1,006**	**(33)**	**(68)**	**6,782**	**31,478**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999
(according to International Accounting Standards)

(CZKm)	Notes	1999	1998 (Restated)
Cash flows from operating activities			
Profit before taxation		4,566	4,935
Adjustments for:			
Credit loss provisions		938	4,244
Depreciation and amortisation		1,093	983
Net loss (gain) on sales of investment securities		20	(909)
Net (gain) loss on sale of property and equipment		(3)	86
Other		(214)	416
(Increase) decrease in operating assets			
Trading securities		813	4,450
Loans and advances to banks, non-demand		(18,691)	(19,828)
Loans and advances to customers		(70)	(7,866)
Other assets		1,364	(1,132)
Prepayments and accrued income		(77)	1,372
Increase (decrease) in operating liabilities			
Amounts owed to banks, term		(10,149)	3,757
Amounts owed to customers		15,646	(2,311)
Debt securities in issue, short-term		18,445	7,442
Other liabilities		(3,522)	(1,003)
Accruals and deferred income		(320)	(293)
Net cash flow from operating activities before income tax		9,839	(5,657)
Net income tax (paid) received		(804)	457
Net cash flow from operating activities		9,035	(5,200)
Cash flows from investing activities			
Purchase of investment securities		(1,035)	(941)
Purchase of participating interests		0	(19)
Purchase of property and equipment		(830)	(832)
Proceeds from sales of investment securities		408	3,070
Proceeds from sales of participating interests		42	3
Proceeds from sales of property and equipment		279	133
Net cash flow from investing activities		(1,136)	1,414
Cash flows from financing activities			
Repayment of bonds		(2,127)	0
Sale (purchase) of treasury shares		1,141	(201)
(Decrease) increase in minority interests		(139)	47
Increase in borrowings		3,450	2,626
Net cash flow from financing activities		2,325	2,472
Effect of exchange rate changes on cash and cash equivalents		160	(513)
Net increase (decrease) in cash and cash equivalents	25	**10,384**	**(1,827)**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

(according to International Accounting Standards)

1. INTRODUCTION

Československá obchodní banka, a.s. (the Bank or CSOB) was incorporated in the former Czechoslovakia as a joint-stock company under the former Joint-Stock Companies Act on 21 December 1964. It is a universal bank operating in the Czech Republic, the Slovak Republic and Germany and carries out a wide range of banking activities in Czech crowns and foreign currencies for domestic and foreign customers.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The consolidated financial statements comprise the accounts of the Bank and its subsidiary companies (together the Group) which have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee. They have been prepared under the historical cost convention, except as modified by the revaluation of certain trading assets and liabilities to fair value, and full accrual accounting. The accounts are expressed in millions of Czech crowns (CZKm).

b) Consolidation

Consolidated financial statements include all subsidiary companies that are controlled by the Bank and all companies jointly controlled by the Bank (joint ventures), other than those excluded because control or joint control is assumed to be temporary or because they are immaterial, in aggregate, to the Group. Subsidiaries and joint ventures excluded from consolidation are presented in the financial statements as "Equity shares" held for investment.

Control over subsidiary companies is presumed to exist when one of the following circumstances exists:

- more than one-half of the subsidiary company's voting power is controlled by the Bank;
- the Bank is able to govern the financial and operating policies of the subsidiary company;
- the Bank can control the removal or appointment of a majority of a subsidiary company's Board of Directors.

Joint control exists when two or more venturers are bound by a contractual arrangement, which includes the establishment of joint control.

Subsidiary companies included in the Group consolidation are fully consolidated, which includes the elimination of all significant intra-group balances and transactions and a separate disclosure for minority interests. Joint ventures included in the Group consolidation are proportionally consolidated, which requires a venturer's share of the assets, liabilities, income and expenses in the joint venture to be combined with those of the venturer on a line-by-line basis.

c) Change in consolidated group companies - restatement of financial statements

In 1998 and 1997, only Prager Handelsbank AG, a wholly-owned subsidiary, was consolidated into the Group. During 1999, four additional subsidiary companies and a joint venture were included in the Group consolidation either because the entities became material to the Group or their presumed temporary status changed. The additional companies consolidated are:

- Finop Holding, a.s.
- OB Leasing, a.s. (incorporated in the Czech Republic)
- OB Leasing, a.s. (incorporated in the Slovak Republic)
- Business Center, s.r.o.
- O.B. Heller, a.s. (joint venture)

In order to facilitate full and appropriate comparability, the Group financial statements, including footnotes, for prior years have been restated. The cumulative effects from the change in Group companies consolidated are reflected as an adjustment to opening retained earnings.

The financial impact from this change for the year-ended 31 December 1999 is a net profit decrease of CZK 194m.

For previous years, the financial effect from the restatement is as follows:

(CZKm)	**1998**	**1997**	**1996**	**1995**
Net profit, as previously reported	2,803	2,552	2,873	2,715
Restatement effect	356	246	(28)	(52)
Net profit, as restated	*3,159*	*2,798*	*2,845*	*2,663*
Operating profit, as previously reported	7,415	8,574	4,648	6,788
Restatement effect	1,764	853	(590)	(885)
Operating profit, as restated	*9,179*	*9,427*	*4,058*	*5,903*
Shareholders' equity, as previously reported	26,509	23,989	21,417	18,554
Restatement effect	992	681	436	464
Shareholders' equity, as restated	*27,501*	*24,670*	*21,853*	*19,018*

d) Interests in associated companies

An associated company is one in which the Group holds, directly or indirectly, more than 20 % but less than 50 % of the voting power of the company, or where the Group exercises significant influence over the company, but not control.

Interests in associated companies are accounted for under the equity method. Where interests in associated companies are considered immaterial, they are accounted for at cost less any permanent diminution in value. All associated companies of the Group for 1999 and 1998 are considered immaterial.

Interests in associated companies and Shares in Group companies are referred to collectively as Participating interests.

e) Interest income and expense

Interest income and expense are recognised in the profit and loss statement on an accruals basis. Interest income includes coupons earned on fixed income securities and amortised discount.

f) Employee retirement benefits

Pensions are provided by the Czech Republic and the Slovak Republic to resident employees financed by salary-based social security contributions of the employees and their employers.

Certain Group companies contribute to a defined contribution retirement benefit scheme for participating Czech Republic employees, which is in addition to the employer social security contributions required by the Czech Republic. Contributions are charged to the profit and loss statement as they are made. Pension assets are managed outside of the Group.

g) Loans and advances and provisions for credit losses

Loans and advances are carried at the amount of principal outstanding, net of provisions for credit losses. Finance leases are carried at the aggregate level of lease payments receivable plus estimated residual value of the leased property, less unearned income. Unearned income is amortised over the lease terms by methods that approximate the interest method.

Provisions for credit losses are made against on- and off-balance sheet credit exposures representing management’s estimate of credit losses. Bank management uses financial and non-financial criteria, in addition to the number of days in arrears, to classify its loans and advances internally for credit risk management and prudent provisioning (as well as to comply fully with the regulatory requirements of the Czech National Bank). Provisions are also created for losses contained in the credit portfolio that have not yet been specifically identified. Pledged collateral is discounted to achieve conservatively estimated net realisable values that are considered in the provisioning assessment.

Provisions raised, released and used during the year are charged to or released from the profit and loss statement. Outstanding credit exposures are written off when there is no realistic prospect of recovery.

h) Non-accrual loans

Generally, loans are placed on non-accrual status when they become 90 days overdue as to principal or interest. At that point, all accrued and unpaid interest is reversed and any subsequent payments are accounted for on a cash receipt basis. Before 1999, when a loan became 90 days overdue the further accrual of interest ceased without the reversal of any unpaid interest. The financial effect from this policy change was immaterial.

i) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price (repos), they remain on the balance sheet and a liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell (reverse repos) are not recorded on the balance sheet and the consideration paid is recorded as a loan. The difference between the sale price and repurchase price is treated as interest and accrued evenly over the life of the transaction.

Repos and reverse repos are recognised on a settlement date basis.

j) Securities (treasury bills, debt securities and equity shares)

Investment debt securities and treasury bills are those that management intend to hold until maturity and are stated at cost as adjusted for the amortisation of premiums and discounts over the period to maturity, less permanent diminution in value.

Investment equity shares are carried at cost less permanent diminution in value.

Dividends on investment equity shares are included in "Net (loss) profit on investment securities and participating interests".

Trading securities are carried at fair value based upon quoted market prices, adjusted for liquidity circumstances where necessary. Realised and unrealised gains and losses are included in "Net profit on financial operations".

Interest earned on treasury bills and debt securities is reported as "Interest income". Dividends received on trading equity shares are included in "Net profit on financial operations".

Securities are recognised on a trade date basis.

k) Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated under the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	30 years
Furniture	6 years
Equipment	4-12 years

l) Deferred income taxation

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Enacted future tax rates are used to determine deferred income tax.

The principal temporary differences arise from credit loss provisions, accelerated tax depreciation on property and equipment, securities valuation, derivatives valuation, finance lease valuation and shares in Group companies. All deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are netted only within the individual Group companies.

At 31 December 1999 and 1998, the Group recorded a net deferred tax asset under "Other assets, including tax assets" and a net deferred tax liability under "Other liabilities, including tax liabilities".

m) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's shares of the net assets of the acquired subsidiary/associated company at the date of acquisition. Negative goodwill arising on acquisition is deferred and amortised into income over 5 years on a straight-line basis. Unamortised negative goodwill is reported in "Other liabilities, including tax liabilities".

n) Derivative financial instruments

Derivative financial instruments include swaps, forwards, options and futures. The Group uses various types of derivative instruments in both its trading and asset and liability management activities.

Derivative financial instruments entered into for trading purposes or to hedge trading positions are carried at fair value. Unrealised gains and losses are reported as “Other assets, including tax assets” and “Other liabilities, including tax liabilities”. Realised and unrealised gains and losses are recognised in “Net profit on financial operations”.

Fair values are based upon quoted market prices, discounted cash flow models and options pricing models as appropriate.

Derivative financial instruments specifically designated for asset and liability management purposes, are accounted for on the same basis as the underlying transactions they hedge.

o) Treasury shares

Own shares of the Group held at the balance sheet date are designated as “Treasury shares”. Treasury shares are recorded at cost and deducted from the Group’s equity. Gains and losses on sales of treasury shares are credited and charged to “Share premium reserve” net of taxation and related costs.

p) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at official rates of exchange effective on the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the profit and loss statement.

Profit and loss statements of foreign entities are translated into the Group’s reporting currency at average exchange rates for the year and the balance sheets are translated at the year-end exchange rates ruling at 31 December. Exchange differences arising from retranslating the net investments in the foreign subsidiaries and exchange differences arising from retranslating the annual results of foreign entities from the average rate to the exchange rate ruling at year-end are accounted for in the “Translation reserve”. Other exchange differences are recognised in the profit and loss statement.

q) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

r) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including: cash and balances with central banks, treasury bills, debt securities, loans and advances to banks (demand) and amounts owed to banks (demand).

3. PRIVATISATION

On 31 May 1999 the Czech government selected the bid from KBC Bank N.V. (KBC), amongst the remaining three bidding international banks, to purchase the 65.69 % ownership of the common shares of CSOB. The purchase agreement was signed on 24 June 1999. Simultaneously, the International Finance Corporation (IFC) purchased 4.39 % of CSOB common shares from the CSOB Group acting as both principal and agent. The after-tax and after minority interests gain of CZK 1,006m arising from the sale of those shares was credited to Share Premium Reserve. Legal ownership of CSOB's common shares sold to KBC was transferred on 22 July 1999, when the ownership change was officially registered at the Securities Centre. The IFC obtained legal title to its CSOB common shares on 29 September 1999.

On 20 December 1999, CSOB's privatisation was completed with the National Bank of Slovakia (NBS) selling its 24.13 % ownership of the common shares of CSOB to KBC (16.66 %) and to the European Bank for Reconstruction and Development (EBRD) (7.47 %). Legal ownership of CSOB's common shares was transferred on 21 December 1999 to KBC and to the EBRD. On 29 December 1999, KBC transferred 5.55 % stakes in CSOB to both KBC Verzekeringen N.V. and to KBC Bank and Insurance Holding Company (Limited Company).

A summary of the conditions attached to that share sales agreement, which have all since been realised, are set out below:

- The NBS granted securities and insurance licences as well as formalised the banking licence to CSOB's foreign branch in the Slovak Republic. It also continued the permission for CSOB's foreign branch to operate as a bank in the Slovak Republic.
- Konsolidačná Banka Bratislava, š.p.ú repaid in full to CSOB its outstanding obligation of SKK 690.9m, which was previously fully provided for. The release of those provisions in 1999 increased group net profit by approximately CZK 364m.
- The Slovak Ministry of Finance (SMoF) extended a SKK 10,000m line of credit to CSOB with a maturity date of 31 January 2003, one month after the date on which the Czech-state guarantee on 90 % of the Slovenská Inkasná loan would be realised if any amount on that portion of the loan is still unpaid at that time.

As a result of CSOB's 1999 privatisation activities, the significant shareholder structure of CSOB as at 31 December 1999 is as follows:

	%
KBC Bank N.V.	71.24
EBRD	7.47
KBC Bank and Insurance Holding Company	5.55
KBC Verzekeringen N.V.	5.55
IFC	4.39
Others	5.80
Total	100.00
KBC Group	82.34

4. NET INTEREST INCOME

(CZKm)	1999	1998
Interest income		
Loans and advances to central banks	3,310	3,847
Loans and advances to other banks	3,288	4,790
Loans and advances to customers	11,150	15,679
Treasury bills and debt securities	1,448	1,960
Off-balance sheet items	2,059	1,042
	21,255	**27,318**
Interest expense		
Amounts owed to central banks	61	1,658
Amounts owed to other banks	3,611	4,807
Amounts owed to customers	6,688	8,758
Debt securities in issue	1,679	1,974
Off-balance sheet items	2,225	1,066
	14,264	**18,263**
Net interest income	**6,991**	**9,055**

5. NET (LOSS) PROFIT ON INVESTMENT SECURITIES AND PARTICIPATING INTERESTS

(CZKm)	1999	1998
Dividends	4	41
Net gain on sale of associated company	6	0
Net (loss) gain on sale of investment securities	(20)	909
Permanent diminution in value of investment debt securities	(2)	0
	(12)	**950**

6. NET PROFIT ON FINANCIAL OPERATIONS

(CZKm)	1999	1998
Net foreign exchange gains	1,901	2,104
Net trading securities gains	847	635
Net trading interest rate derivative losses	(312)	(249)
	2,436	**2,490**

Net foreign exchange gains include results arising from both non-trading and trading activities in foreign exchange cash, spot, forward, swap and option operations.

7. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	1999	1998
Analysis of general administrative expenses		
Staff costs:		
Wages and salaries	1,771	1,523
Social security costs	638	547
Other pension costs, including retirement benefits	27	23
Other administrative expenses	2,069	1,998
	4,505	**4,091**

Retirement benefits

The Bank provides its Czech Republic employees with a voluntarily defined contribution retirement scheme. Participating employees can contribute 1 % or 2 % of their salaries to a pension fund to which the Bank contributes 3 % or 4 % of their salaries, respectively. The contribution percentages are agreed annually and contained within the collective agreement with the employees' union. Participating employees vest after 5 years of contribution to the retirement scheme.

The average number of Group personnel, including Executive Board members, (full-time equivalents) during 1999 was 5,125 (5,309 for 1998). The Supervisory Board had 15 and 11 members as at 31 December 1999 and 1998.

8. INCOME TAX EXPENSE

(CZKm)	1999	1998
Current tax expense	218	1,071
Previous year overaccrual	(115)	(15)
Deferred tax expense relating to the origination and reversal of temporary differences	1,585	670
Deferred tax expense resulting from reduction in tax rate	(5)	0
	1,683	**1,726**

(CZKm)	1999	1998
Profit before taxation	4,566	4,935
Applicable tax rates	35%	35%
Profit after taxation at applicable tax rates	1,598	1,727
Previous year overaccrual	(115)	(15)
Tax effect of non-taxable income	(370)	(292)
Tax effect of non-deductible expenses	516	290
Effect on closing deferred taxes due to reduction in tax rate	(5)	0
Effect of foreign taxes	8	1
Other	51	15
	1,683	**1,726**

9. CASH AND BALANCES WITH CENTRAL BANKS

(CZKm)	31.12.1999	31.12.1998
Cash on hand	5,544	4,026
Balances with central banks	4,543	9,822
Other cash values	406	17
	10,493	**13,865**
Amounts include:		
Mandatory minimum reserves with central banks	4,246	9,573

10. LOANS AND ADVANCES TO BANKS

(CZKm)	31.12.1999	31.12.1998
Analysed by product and bank domicile:		
Current accounts		
domestic	71	67
foreign	17,312	5,300
Term placements		
domestic	17,843	15,795
foreign	25,623	19,177
Loans and advances		
domestic	34,618	40,811
foreign	20,135	3,784
	115,602	**84,934**
Provisions (Note 12)	(345)	(1,051)
	115,257	**83,883**
Analysed by internal classification:		
Standard	115,268	83,830
Watch	0	593
Sub-standard	0	0
Doubtful	39	213
Loss	295	298
	115,602	**84,934**

11. LOANS AND ADVANCES TO CUSTOMERS

(CZKm)	**31.12.1999**	**31.12.1998**
Analysed by category of borrower:		
Česká inkasní	11,789	16,063
Slovenská inkasná	18,879	15,192
Banka Bohemia	0	16,997
Trade companies	21,858	20,747
Industrial companies	20,905	33,613
Other service companies	28,753	14,598
Government bodies	363	5,406
Other	10,401	11,812
	112,948	**134,428**
Provisions (Note 12)	(15,902)	(17,923)
	97,046	**116,505**
Amounts include:		
Gross non-accrual loans and advances	16,354	9,196

The loans and advances to customers include finance lease receivables, which may be analysed as follows:

(CZKm)	**31.12.1999**	**31.12.1998**
Not later than 1 year	5,100	3,941
Later than 1 year and not later than 5 years	6,492	4,817
Gross investment in finance leases	*11,592*	*8,758*
Unearned future finance income on finance leases	(2,165)	(1,962)
Net investment in finance leases	**9,427**	**6,796**

The net investment in finance leases may be analysed as follows:

Not later than 1 year	4,148	2,990
Later than 1 year and not later than 5 years	5,279	3,806
Net investment in finance leases	**9,427**	**6,796**

The allowance for uncollectable finance lease receivables included in the provision for credit losses amounted to CZK 195m at 31 December 1999 (1998: CZK 83m).

Analysed by internal classification:

The total gross loans under the Group's classification system and the respective estimated net realisable collateral values are as follows:

	31.12.1999			31.12.1998		
(CZKm)	Gross loans	Collateral value	Net loans	Gross loans	Collateral value	Net loans
Exceptional loans with Czech-state coverage*	30,668	29,258	1,410	48,252	46,967	1,285
Standard	46,825	24,590	22,235	46,676	22,633	24,043
Watch	14,174	6,769	7,405	13,812	7,346	6,466
Sub-standard	4,011	2,102	1,909	4,348	1,861	2,487
Doubtful	11,820	4,705	7,115	11,034	5,320	5,714
Loss	5,450	321	5,129	10,306	2,658	7,648
	112,948	**67,745**	**45,203**	**134,428**	**86,785**	**47,643**

* As at 31 December 1999: Slovenská inkasná (90 % Czech-state support) and Česká inkasní. As at 31 December 1998: Slovenská inkasná (90 % Czech-state support), Česká inkasní and Banka Bohemia.

1993 restructuring

In 1993, the Bank's assets and capital were restructured by the governments of the Czech Republic and the Slovak Republic. As part of this restructuring, the Ministries of Finance of the Czech Republic and the Slovak Republic created separate collection companies (Česká inkasní and Slovenská inkasná, respectively) which assumed certain loans and off-balance sheet obligations of identified non-performing customers. Repayment of collection company loans is scheduled through the year 2003. The Ministries of Finance agreed to fully support their respective collection companies; however, the Slovak Ministry of Finance has not provided financial support to Slovenská inkasná, as described below.

Slovenská inkasná

Pursuant to the Agreement on Basis Principles of Financial Consolidation of CSOB (Consolidation Agreement), on 31 December 1993 the Bank assigned and transferred to Slovenská inkasná, s.r.o. (SI), a wholly-owned subsidiary of the Slovak Ministry of Finance (SMoF), certain non-performing customer credit receivables in the Slovak Republic that had arisen under the previous command economy. In exchange for the receivables so assigned and to finance their purchase, the Bank extended credit in the form of loans to SI. Also pursuant to the Consolidation Agreement, the SMoF committed financial support to SI to enable it to satisfy fully its payment obligations to the Bank.

Proceeds from the assigned receivables were not sufficient to cover SI's scheduled payment obligations to the Bank. In addition, the SMoF did not provide any of the financial support to SI that it was contractually obliged to extend under the terms of the Consolidation Agreement. Consequently, SI defaulted on its debt to the Bank. On 10 April 1997, the Bank's Board of Directors decided to exercise its right, under the applicable agreements, to call the entire SI debt immediately due and payable.

Legal proceedings

On 18 April 1997, the Bank filed a request for arbitration under the auspices of the International Center for Settlement Disputes (ICSID) in Washington, D.C. of its claim against the Slovak Republic arising from the Slovak Republics's failure to perform under the Consolidation Agreement. The Slovak Republic objected to ICSID's jurisdiction over the Bank's claims. In accordance with ICSID's arbitration rules, the ICSID Tribunal must rule on the question of jurisdiction as a preliminary matter. The ICSID Tribunal rendered its decision on 24 May 1999, ruling that it has jurisdiction over the matter and ordered the parties to proceed to the merits of the Bank's claims. On 15 November 1999, the Bank filed its memorial on the merits, which included a calculation of the damages that it claims. On 21 December 1999, the Slovak Republic raised a further and partial objection to the ICSID Tribunal's jurisdiction, which the Bank believes may delay issuance of a final award. A final award on the merits is expected no earlier than June 2001. Based on the opinion of legal experts, the Bank believes that its position in the arbitration is very strong and that recovery on the obligation as well as the damage claims is likely.

State coverage

In 1997 the Bank's Czech-state shareholders pledged their support in principle to protect the Bank against negative financial or regulatory impacts that may arise from the SI issue. On 14 April 1998, the Czech Government adopted resolution No. 269 specifying the form of its support. In accordance with that resolution the Czech Ministry of Finance (CMoF) agreed, in a contract dated 24 April 1998 (Coverage Agreement), to advance on 31 December 2002, 90 % of the outstanding balance of SI's debt to the Bank including interest. As a condition for receiving that support, the Bank is obliged to continue using its best efforts to enforce its rights as creditor of SI by all means available to it.

In view of the legal considerations arising from the SI bankruptcy (see below), a second coverage agreement was executed on 25 June 1998 between the Bank and the CMoF pursuant to which the CMoF agreed to provide support to the Bank as above.

SI bankruptcy

On 6 May 1998, SI was declared bankrupt by the Bratislava Regional Court. (The Bankruptcy petition had been filed in accordance with provisions of the Slovak Bankruptcy Act by SI itself.) The Bank, as SI's creditor, submitted its outstanding claims to the Court in the total amount of SKK 16,676m (SKK 15,271m and CZK 1,326m). The Bank also requested the ICSID Tribunal to order a stay of the bankruptcy proceedings pending the conclusion of the ICSID arbitration. The ICSID Tribunal responded favourably to the Bank's request ordering that the bankruptcy proceedings be suspended to the extent that such proceedings might include determinations as to whether SI has a claim in the form of a right to receive funds from the Slovak Republic to cover its losses as contemplated in the Consolidation Agreement at issue in the arbitration. Despite the ICSID Tribunal's order, the bankruptcy proceedings have continued. On 9 December 1999, the bankruptcy trustee acknowledged SKK 4,900m and rejected SKK 11,776m of the Bank's claim against SI. The bankruptcy court ordered the Bank to raise any challenges against the bankruptcy trustee's determinations by 13 March 2000. The Bank has made a further request to the ICSID Tribunal to order the bankruptcy court to suspend the bankruptcy proceedings until the conclusion of the ICSID arbitration.

Accounting treatment

Due to the Czech Government's agreement to pay 90 % of the SI loan balance in accordance with the terms of the second coverage agreement, the Bank continues to recognise 90 % of interest accruing (according to the agreed loan terms) and continues to suspend and exclude from income the remaining 10 %.

Contingent asset

On 24 February 1999, the government of the Czech Republic decided to restructure CZK 1,900m of specified loans held by the CSOB Group and fully provided for. The repayment of those exposures, extended through to the year 2004, is to be drawn from financial resources of the Czech National Property Fund. No evidence, however, exists of any action taken by the Czech Government to effect the decision.

Although, in principle, the government decision is likely to be realised, it is contingent upon concrete actions taken for realisation. Accordingly, CSOB has not released the provisions on those loans until sufficient evidence of relevant government actions exists.

Banka Bohemia

On 15 December 1998, a CZK 16,997m loan to Banka Bohemia matured against which deposits of CZK 14,521m and CZK 2,476m were held, contributed by the Czech National Bank (CNB) and CMoF respectively. On 12 July 1999, an agreement among CSOB, the CNB and the CMoF was executed which allowed the legal offset of the deposits against the loan and transfer of the loan to the CNB.

12. CREDIT LOSS PROVISIONS

(CZKm)	1999	1998
Movements in credit loss provisions:		
At 1 January	23,745	29,366
Exchange adjustments	429	(1,043)
Net charge against profits	938	4,244
Amounts written off against provisions	(4,958)	(8,822)
At 31 December	**20,154**	**23,745**
Allocation as at 31 December:		
Loans and advances to customers (Note 10)	15,902	17,923
Loans and advances to banks (Note 11)	345	1,051
Other assets	98	2
Provisions for off-balance sheet credit risk (Note 24)	3,809	4,769
	20,154	**23,745**

13. DEBT SECURITIES

(CZKm)	31.12.1999 Balance sheet	31.12.1999 Market value	31.12.1998 Balance sheet	31.12.1998 Market value
Investment securities				
Issued by:				
Financial services companies	1,344	1,393	583	671
Other private companies	572	572	406	376
	1,916	**1,965**	**989**	**1,047**
Trading securities				
Issued by:				
Financial services companies	661		2,143	
Other private companies	986		1,299	
Government bodies	6,441		7,705	
	8,088		**11,147**	
Total Debt securities	**10,004**		**12,136**	
Investment securities				
Listed	1,916	1,965	989	1,047
Trading securities				
Listed	7,926		11,068	
Unlisted	162		79	
	8,088		**11,147**	
Total Debt securities	**10,004**		**12,136**	

Schedule of Activity in Portfolio of Debt Investment Securities

(CZKm)	**1999**	**1998**
At 1 January	989	933
Exchange adjustments	100	(55)
Acquisitions	1,010	404
Disposals and amounts repaid	(203)	(293)
Amortisation of discounts and premiums	22	0
Permanent diminution in value	(2)	0
At 31 December	**1,916**	**989**

14. EQUITY SHARES

(CZKm)	31.12.1999 Balance sheet	31.12.1999 Market value	31.12.1998 Balance sheet	31.12.1998 Market value
Investment securities				
Listed	13	13	18	15
Unlisted	387	354	599	618
	400	**367**	**617**	**633**
Trading securities				
Listed	665		512	
Unlisted	414		2,414	
	1,079		**2,926**	
Total Equity shares	**1,479**		**3,543**	
Investment securities include subsidiary companies not consolidated	**201**	**149**	**391**	**448**

Schedule of Activity in Portfolio of Equity Investment Securities

(CZKm)	1999	1998
At 1 January	617	2,151
Exchange adjustments	3	(11)
Acquisitions	25	537
Disposals	(186)	(1,831)
Transfer to Interests in associated companies	0	(229)
Transfer to Trading securities	(59)	0
At 31 December	**400**	**617**

15. INTERESTS IN ASSOCIATED COMPANIES

(CZKm)	31.12.1999	31.12.1998
Financial services companies	260	272
Other	2	76
	262	**348**
Listed	205	170
Unlisted	57	178
	262	**348**
Market value of listed Interests in associated companies	223	182

Schedule of Activity

(CZKm)	1999	1998
At 1 January	348	359
Acquisitions	0	19
Disposals	(79)	(42)
Transfer from Equity shares	0	229
Transfer to Shares in Group companies	0	(19)
Exchange differences	(7)	(10)
Other movements	0	(188)
At 31 December	**262**	**348**

16. PROPERTY AND EQUIPMENT

(CZKm)	Land and buildings	Furniture and equipment	Construction in progress	Total
Cost				
At 1 January 1999	8,287	4,448	365	13,100
Exchange adjustments	76	31	1	108
Transfers	176	656	(832)	0
Additions	0	3	827	830
Disposals	(278)	(66)	(18)	(362)
At 31 December 1999	**8,261**	**5,072**	**343**	**13,676**
Accumulated depreciation				
At 1 January 1999	607	2,696	0	3,303
Exchange adjustments	4	17	0	21
Disposals	(16)	(70)	0	(86)
Charge for the period	251	842	0	1,093
At 31 December 1999	**846**	**3,485**	**0**	**4,331**
Net book value				
At 31 December 1998	**7,680**	**1,752**	**365**	**9,797**
At 31 December 1999	**7,415**	**1,587**	**343**	**9,345**

17. OTHER ASSETS, INCLUDING TAX ASSETS

(CZKm)	31.12.1999	31.12.1998
Unrealised trading derivative gains (Note 26)	1,781	3,225
Other taxes receivable	508	385
Current income tax receivable	282	41
Net deferred tax asset (Note 18)	255	1,602
Items in the course of collection	199	87
Other receivables from clients	176	382
Other debtors, net of provisions	88	253
Other clearing accounts	71	185
Estimated receivables	22	31
	3,382	**6,191**

18. DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 31 % (1998: 35 %). Deferred income tax assets and liabilities are attributable to the following items:

(CZKm)	31.12.1999	31.12.1998
Deferred income tax assets		
Credit loss provisions	266	2,360
Securities valuation	0	254
Unrealised foreign exchange results	43	50
Tax loss carryforward	0	5
	309	**2,669**
Deferred income tax liabilities		
Accelerated tax depreciation	0	69
Derivatives valuation	0	23
Securities valuation	54	0
Shares in Group companies	0	975
	54	**1,067**
Net deferred income tax asset	**255**	**1,602**
Deferred income tax assets		
Credit provisions	731	25
Derivatives valuation	169	0
Securities valuation	59	0
Tax loss carryforward	0	42
	959	**67**
Deferred income tax liabilities		
Accelerated tax depreciation	48	0
Shares in Group companies	1,018	0
Finance lease valuation	254	197
	1,320	**197**
Net deferred income tax liability	**361**	**130**

Bank management believes it is probable that the Group will fully realise its gross deferred income tax assets based upon the Group's current and expected future level of taxable profits, the increasing proportion of the Group's tax-deductible credit provisions since 1993 and the expected offset within each Group company from gross deferred income tax liabilities.

19. AMOUNTS OWED TO BANKS

(CZKm)	31.12.1999	31.12.1998
Analysed by product and bank domicile:		
Current accounts		
domestic	206	15,056
foreign	1,652	1,668
Term deposits		
domestic	8,896	18,764
foreign	7,868	8,149
Borrowings		
domestic	8,474	7,247
foreign	18,267	16,371
	45,363	**67,255**

Included in “Current accounts - domestic”, at 31 December 1998, are pledged deposits of CZK 14,521m from the Czech National Bank collateralising the Banka Bohemia loan.

20. AMOUNTS OWED TO CUSTOMERS

(CZKm)	31.12.1999	31.12.1998
Analysed by product:		
Current accounts	42,073	39,556
Term deposits	84,425	73,772
	126,498	**113,328**
Analysed by customer type:		
Private companies and entrepreneurs	40,654	39,013
Other financial institutions	4,336	3,626
Insurance companies	5,898	4,269
Government bodies	6,979	7,653
Individuals and households	49,775	43,483
Foreign	17,164	13,579
Other	1,692	1,705
	126,498	**113,328**

Included in “Current accounts” and “Government bodies”, at 31 December 1998, are pledged deposits amounting to CZK 2,476m from the Czech Ministry of Finance collateralising the Banka Bohemia loan.

21. DEBT SECURITIES IN ISSUE

Issue date	Currency	Maturity date	Interest rate	31.12.1999	31.12.1998
				(CZKm)	
Bonds issued:					
June 1995	CZK	June 2000	11.0 %	6,000	6,000
December 1995	SKK	December 1999	12.0 %	0	2,024
July 1997	CZK	July 2002	PRIBOR+0.1 %	6,000	6,000
July 1999	SKK	July 2000	18.5 %	85	0
				12,085	**14,024**
Promissory notes				24,095	6,834
Certificates of deposit				2,570	1,471
Debt securities in issue				**38,750**	**22,329**

22. OTHER LIABILITIES, INCLUDING TAX LIABILITIES

(CZKm)	**31.12.1999**	**31.12.1998**
Items in the course of transmission	2,475	6,138
Unrealised trading derivatives losses (Note 26)	2,056	2,479
Current income tax payable	1,234	1,015
Other creditors	645	370
Negative goodwill	579	846
Other taxes payable	503	390
Net deferred tax liability (Note 18)	361	130
Current accounts from which value was collected	179	128
Estimated payables	156	153
Other clearing accounts	99	106
Litigation loss provision	64	0
Payables to security clearing entities	1	441
Other	309	457
	8,661	**12,653**

Schedule of Activity in Negative Goodwill

(CZKm)	**1999**	**1998**
At 1 January, net	846	1,113
Amortisation	(267)	(267)
At 31 December, net	**579**	**846**

The gross amount of negative goodwill was CZK 1,336m as at 31 December 1999 and 1998.

23. SHARE CAPITAL AND TREASURY SHARES

The total authorised share capital as at 31 December 1999 and 1998 is CZK 5,105m made up of 5,105,000 ordinary shares with a nominal value of CZK 1,000 each and is fully paid up.

All shareholders are entitled to one vote for every CZK 1,000 of nominal value owned. Shares are transferable upon approval of the Bank's Supervisory Board.

The number of treasury shares held by the Group as at 31 December 1999 was 35,000 (1998: 81,500 shares).

Furthermore, the Bank's unconsolidated subsidiary and associated companies as at 31 December 1998 held 138,000 shares or 2.7 % of the Bank's shares in issue.

24. CONTINGENT LIABILITIES AND COMMITMENTS

	31.12.1999		31.12.1998	
(CZKm)	Contract amount	Risk weighted amount	Contract amount	Risk weighted amount
Contingent liabilities				
Acceptances and endorsements	410	361	1,076	881
Guarantees issued	14,589	5,780	16,471	7,217
	14,999	**6,141**	**17,547**	**8,098**
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend	31,771	0	27,758	0
Documentary credits	1,430	604	2,132	676
Forward Forward deposits placed	519	0	3,261	0
	33,720	**604**	**33,151**	**676**
Provisions for off-balance sheet credit risk (Note 12)	3,809		4,769	

The above contractual amounts represent the maximum credit risk which would arise if the contracts are fully drawn, the customers default and the value of any existing collateral becomes worthless. Risk weighted amounts represent the on-balance sheet credit risk equivalents of the contractual amounts, weighted by customer risk factors, calculated in accordance with the Bank for International Settlements guidelines for capital adequacy measurement purposes. The calculation aims to achieve a measure of the likely occurrence of credit exposure arising from those instruments.

25. CONSOLIDATED CASH FLOW STATEMENTS

Analysis of changes in cash and cash equivalents during the year

(CZKm)	1999	1998
At 1 January	18,535	20,362
Net increase (decrease) in cash and cash equivalents	10,384	(1,827)
At 31 December	**28,919**	**18,535**

Analysis of the balances of cash and cash equivalents as shown in the balance sheets

(CZKm)	31.12.1999	31.12.1998
Cash and balances with central banks	10,493	13,865
Treasury bills, purchased within 3 months of maturity	2,127	1,453
Debt securites, purchased within 3 months of maturity	775	318
Loans and advances to banks, demand	17,383	5,430
Amounts owed to banks, demand	(1,859)	(2,531)
Cash and cash equivalents	**28,919**	**18,535**

26. DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal and positive and negative fair value amounts of the Group's outstanding trading and asset and liability management derivative contracts entered into with third parties were as follows:

	31.12.1999			31.12.1998		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
TRADING						
Interest rate related contracts						
Swaps	25,978	1,184	1,374	19,256	939	994
Forwards	124,575	275	346	106,325	797	803
	150,553	**1,459**	**1,720**	**125,581**	**1,736**	**1,797**
Exchange rate related contracts						
Swaps	40,469	45	62	39,635	123	133
Forwards	6,076	66	0	6,387	167	54
Options purchased	12,412	211	0	20,514	1,199	0
Options written	15,504	0	274	15,685	0	495
Futures	0	0	0	2	0	0
	74,461	**322**	**336**	**82,223**	**1,489**	**682**
Commodity related contracts						
Futures	0	0	0	1	0	0
Total trading derivatives	**225,014**	**1,781**	**2,056**	**207,805**	**3,225**	**2,479**
ASSET AND LIABILITY MANAGEMENT						
Interest rate related contracts						
Swaps	34,581	1,281	1,059	28,703	0	499
Forwards	300	2	0	0	0	0
	34,881	**1,283**	**1,059**	**28,703**	**0**	**499**
Exchange rate related contracts						
Swaps	21,298	653	876	1,350	14	0
Total asset and liability management derivatives	**56,179**	**1,936**	**1,935**	**30,053**	**14**	**499**

Notional amounts represent the volume of outstanding transactions at a point in time; they do not represent the potential for gain or loss associated with market risk or credit risk of such transactions. Fair value amounts consist of unrealised gains and losses as well as accrued interest income and expense.

All derivatives are traded over-the-counter except for futures transactions which are traded on recognised exchanges.

The maximum credit exposure on the Group's outstanding derivatives is measured as the cost of replacing their cash flows with positive fair value if the counterparties default, less the effects of bilateral netting arrangements and collateral held. The Group's actual credit exposures are less than the positive fair value amounts shown in the table above as netting arrangements and collateral have not been considered.

There are no significant concentrations of trading and asset and liability management derivative credit exposures other than with the international investment banking sector, which are the usual counterparties to transactions undertaken for trading and managing the Group's own risks.

The remaining maturities of the derivative counterparty transactions as at 31 December 1999 are set out below:

(CZKm)	**up to 1 year**	**1-5 years**	**over 5 years**	**Total**
TRADING				
Interest rate related contracts				
Swaps	5,720	20,058	200	25,978
Forwards	124,175	400	0	124,575
	129,895	**20,458**	**200**	**150,553**
Exchange rate related contracts				
Swaps	40,469	0	0	40,469
Forwards	4,756	1,320	0	6,076
Options purchased	12,412	0	0	12,412
Options written	15,504	0	0	15,504
	73,141	**1,320**	**0**	**74,461**
Total trading derivatives	**203,036**	**21,778**	**200**	**225,014**
ASSET AND LIABILITY MANAGEMENT				
Interest rate related contracts				
Swaps	30,281	4,300	0	34,581
Forwards	300	0	0	300
	30,581	**4,300**	**0**	**34,881**
Exchange rate related contracts				
Swaps	18,213	3,085	0	21,298
Total asset and liability management derivatives	**48,794**	**7,385**	**0**	**56,179**

The remaining maturities of the derivative counterparty transactions as at 31 December 1998 are set out below:

(CZKm)	up to 1 year	1-5 years	over 5 years	Total
TRADING				
Interest rate related contracts				
Swaps	3,786	13,470	2,000	19,256
Forwards	104,925	1,400	0	106,325
	108,711	**14,870**	**2,000**	**125,581**
Exchange rate related contracts				
Swaps	39,635	0	0	39,635
Forwards	6,387	0	0	6,387
Options purchased	20,514	0	0	20,514
Options written	15,685	0	0	15,685
Futures	2	0	0	2
	82,223	**0**	**0**	**82,223**
Commodity related contracts				
Futures	1	0	0	1
Total trading derivatives	**190,935**	**14,870**	**2,000**	**207,805**
ASSET AND LIABILITY MANAGEMENT				
Interest rate related contracts				
Swaps	28,703	0	0	28,703
Exchange rate related contracts				
Swaps	0	1,350	0	1,350
Total asset and liability management derivatives	**28,703**	**1,350**	**0**	**30,053**

27. OTHER CONTINGENT LIABILITIES

a) Litigation

The Group is named in and defending a number of legal actions in various jurisdictions arising in the ordinary course of business. Management does not believe a material impact on the financial position of the Group will result from the ultimate resolution of these legal actions.

b) Taxation

Czech and Slovak tax legislation, interpretation and guidance are still evolving. Consequently, under the current taxation environment, it is difficult to predict the interpretations the respective tax authorities may apply in a number of areas. As a result, the Group has used its current understanding of the tax legislation in the design of its planning and accounting policies. The effect of the uncertainty cannot be quantified.

28. OPERATING LEASE COMMITMENTS

Future minimum lease payments under land and building operating leases are as follows:

(CZKm)	**31.12.1999**	**31.12.1998**
Not later than 1 year	179	156
Later than 1 year and not later than 5 years	635	591
Later than 5 years and not later than 10 years	434	718
	1,248	**1,465**

From the year 2010, the Group's annual perpetual commitments under land and building operating leases amount to CZK 88m.

The above operating leases can be technically cancelled under Czech law; however, the Group is commercially bound to continue with these leases for the periods set out above.

29. SEGMENT REPORTING

Until 31 December 1999, the Group managed its business solely on a geographical basis. From 1 January 2000, the Group reorganised its business by customer segment in order to focus on customer needs and diversify its business. Accordingly, only geographical segment information of the Group is presented for 1999.

Segment reporting information by geographical region

			1999		
(CZKm)	**Czech Republic**	**Slovak Republic**	**Germany**	**Eliminations**	**Group total**
Net interest income	5,562	1,375	99	(45)	6,991
Non-interest income	4,374	633	48	(206)	4,849
Segment expenses	5,312	1,164	111	(251)	6,336
Segment result	*4,624*	*844*	*36*	*0*	*5,504*
Credit loss provisions	(181)	1,113	6	0	938
Segment profit (loss) before taxation	*4,805*	*(269)*	*30*	*0*	*4,566*
Income tax expense (benefit)	1,724	(57)	16	0	1,683
Segment profit (loss)	*3,081*	*(212)*	*14*	*0*	*2,883*
Minority interests	0	0	0	60	60
Profit (loss) for the year	**3,081**	**(212)**	**14**	**(60)**	**2,823**
Assets	**235,477**	**36,023**	**7,956**	**(21,179)**	**258,277**
Liabilities	**203,480**	**36,032**	**7,298**	**(20,520)**	**226,290**
Capital expenditure	675	147	8	0	830
Depreciation	927	160	6	0	1,093
Other non-cash expense	(167)	1,125	0	0	958

Transactions among the business segments are on normal commercial terms and conditions.

Segment information for 1998 is not presented as it is not practicable to do so.

30. CURRENCY RISK

The significant net foreign exchange asset (liability) positions of the Group are as follows:

(CZKm)	31.12.1999	31.12.1998
SKK	366	(77)
USD	(296)	(471)
JPY	(244)	(128)
EUR	(131)	0
DEM	0	301

31. INTEREST RATE RISK

The Group's interest rate exposures are monitored and managed using interest rate sensitivity gap reports, amongst other methods. Those reports contain both on- and off-balance sheet net interest rate sensitive positions (interest rate sensitive assets less interest rate sensitive liabilities) of the Group (both non-trading and trading) which are segregated by currency and repricing time bands at a single point in time.

Set out below is management's estimate of the interest rate sensitivity gap positions for the Bank and OB Leasing, a. s. (in the Czech Republic and the Slovak Republic) in the major currencies as at 31 December 1999. The positions of the other Group companies are not included as they are considered immaterial.

(CZKm)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
CZK	13,718	8,355	29,931	6,290	2,452
USD	10,074	3,490	(2,878)	(8,995)	(10,650)
EUR	5,724	9,589	(4,451)	(12,480)	4,999
SKK	9,729	(3,368)	(768)	(79)	638

The above table was extracted from the management information systems of the Bank and OB Leasing, a. s. (in the Czech Republic and the Slovak Republic).

The above table sets out the interest rate sensitivity gap positions as at 31 December 1999 and is not, therefore, indicative of such positions that existed during 1999 or will exist in the future.

Set out below is management's estimate of the interest rate sensitivity gap positions for the Bank and OB Leasing, a. s. (in the Czech Republic and the Slovak Republic) in the major currencies as at 31 December 1998. The positions of the other Group companies are not included as they are considered immaterial.

(CZKm)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
CZK	38,493	30,216	5,046	(2,415)	5,627
USD	627	4,359	2,060	(12,918)	4,687
DEM	630	6,647	(2,161)	(10,520)	3,822
SKK	5,921	(915)	(36)	(2,444)	(3,820)

32. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES IN ALL CURRENCIES

The following table sets out the financial assets and liabilities of the Group by remaining maturity as at 31 December 1999:

(CZKm)	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	10,493	0	0	0	0	10,493
Treasury bills	0	6,270	2,407	0	0	8,677
Loans and advances to banks	17,383	73,379	23,679	1,161	0	115,602
Loans and advances to customers	10,855	14,080	26,967	47,373	13,673	112,948
Debt securities	0	775	3,874	4,745	610	10,004
Other financial assets	534	0	0	0	0	534
Total assets	**39,265**	**94,504**	**56,927**	**53,279**	**14,283**	**258,258**
Liabilities						
Amounts owed to banks	1,859	15,375	15,572	11,427	1,130	45,363
Amounts owed to customers	42,073	79,827	4,045	485	68	126,498
Debt securities in issue	0	23,075	9,592	6,083	0	38,750
Other financial liabilities	3,398	0	0	0	0	3,398
Total liabilities	**47,330**	**118,277**	**29,209**	**17,995**	**1,198**	**214,009**
Net liquidity gap	**(8,065)**	**(23,773)**	**27,718**	**35,284**	**13,085**	**44,249**

The SKK 10,000m credit facility granted by SMoF, in connection with KBC's purchase of CSOB shares from it (Note 3), was undrawn as at 31 December 1999.

The following table sets out the assets and liabilities of the Group by remaining maturity as at 31 December 1998:

(CZKm)	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	13,865	0	0	0	0	13,865
Treasury bills	0	1,936	1,553	0	0	3,489
Loans and advances to banks	5,430	71,006	6,860	1,539	98	84,933
Loans and advances to customers	31,016	19,717	27,454	44,566	11,675	134,428
Debt securities	0	318	2,089	6,000	3,729	12,136
Other financial assets	907	0	0	0	0	907
Total assets	**51,218**	**92,977**	**37,956**	**52,105**	**15,502**	**249,758**
Liabilities						
Amounts owed to banks	17,052	22,690	11,153	14,665	1,695	67,255
Amounts owed to customers	39,556	70,017	3,186	491	78	113,328
Debt securities in issue	0	7,240	3,040	12,046	3	22,329
Other financial liabilities	6,525	0	0	0	0	6,525
Total liabilities	**63,133**	**99,947**	**17,379**	**27,202**	**1,776**	**209,437**
Net liquidity gap	**(11,915)**	**(6,970)**	**20,577**	**24,903**	**13,726**	**40,321**

The above table sets out the liquidity gaps as at 31 December 1999 and is not, therefore, indicative of such gaps that existed during 1999 or will exist in the future. A positive liquidity gap means expected cash receipts should exceed expected cash payments in a given period. A negative liquidity gap means expected cash payments should exceed expected cash receipts in a given period.

Group liquidity management is carried out using various techniques including market operations which aim to ensure sufficient cash is available to satisfy its cash requirements.

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of the Group's financial assets and liabilities were as follows:

(CZKm)	31.12.1999 Carrying value	31.12.1999 Fair value	31.12.1998 Carrying value	31.12.1998 Fair value
FINANCIAL ASSETS				
Cash and balances with central banks	10,493	10,493	13,865	13,865
Treasury bills	8,677	8,677	3,489	3,489
Loans and advances to banks	115,257	115,257	83,883	83,883
Loans and advances to customers	97,046	97,046	116,505	116,505
Debt securities	10,004	10,053	12,136	12,194
Equity shares	1,479	1,446	3,543	3,559
Trading derivatives with positive fair value	1,782	1,782	3,225	3,225
Asset and liability management derivatives with positive fair value	239	1,936	22	14
FINANCIAL LIABILITIES				
Amounts owed to banks	45,363	45,363	67,255	67,358
Amounts owed to customers	126,498	126,500	113,328	113,346
Debt securities in issue	38,750	38,692	22,329	22,418
Trading derivatives with negative fair value	2,056	2,056	2,479	2,479
Asset and liability management derivatives with negative fair value	889	1,935	548	499

All financial assets and liabilities of the Group are presented above except for credit-related off-balance sheet financial assets, which include letters of credit and commitments to extend credit, as their carrying value and estimated fair values are not material.

The following methods and assumptions were used in estimating fair values of the Group's financial assets and liabilities:

Cash and balances with central banks
The carrying values of cash and balances with central banks approximate their fair value.

Loans and advances to banks
The carrying values of current account balances are, by definition, equal to their fair values. The fair values of term placements with banks are estimated by discounting their future cash flows using current interbank market rates. A majority of the loans and advances reprice within relatively short time spans; therefore, it is assumed their carrying values approximate their fair values.

Loans and advances to customers
A substantial majority of the loans and advances to customers reprice within relatively short time spans; therefore, it is assumed that their carrying values approximate their fair values.

Securities (Treasury bills, debt securities and equity shares)
Estimated fair values for securities are based on quoted market prices. Such quotes are obtained from relevant exchanges, if exchange activity for the particular security is considered sufficiently liquid, or from reference rates

averaging market maker quotes. If quoted market prices are not available, fair values are estimated from quoted market prices of comparable instruments.

Derivative financial instruments (assets and liabilities)

Estimated fair values for derivative financial instruments are based upon quoted market prices or discounted cash flow models and options pricing models as appropriate.

Amounts owed to banks

The carrying values of current account balances are, by definition, equal to their fair values. For other amounts owed to banks with equal to or less than one year remaining maturity, it is assumed their carrying values approximate their fair values. The fair values of other amounts owed to banks are estimated by discounting their future cash flows using current interbank market rates.

Amounts owed to customers

The fair values of current accounts as well as term deposits with equal to or less than one year remaining maturity approximate their carrying values. The fair values of other term deposits are estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities.

Debt securities in issue

Bonds issued are publicly traded and their fair values are based upon quoted market prices. The carrying values of promissory notes and certificates of deposit approximate their fair values.

34. CONDENSED FINANCIAL INFORMATION OF THE BANK

(According to principles of recognition and measurement of International Accounting Standards)

Condensed profit and loss statements

(CZKm)	**1999**	**1998**
Net interest income	5,852	8,235
Net profit on investment securities and participating interests	1,076	487
Net commission income	1,558	1,476
Net profit on financial operations	2,023	2,698
Other operating income	570	738
Operating income	**11,079**	**13,634**
Operating expenses	(5,812)	(5,333)
Operating profit	**5,267**	**8,301**
Credit loss provisions	(802)	(3,443)
Profit before taxation	**4,465**	**4,858**
Income tax expense	(1,642)	(1,699)
Profit for the year	**2,823**	**3,159**

Condensed balance sheets

(CZKm)	31.12.1999	31.12.1998
ASSETS		
Cash and balances with central banks	10,390	13,802
Loans and advances to banks	111,545	79,819
Loans and advances to customers	88,463	109,878
Securities	18,230	16,832
Participating interests	5,019	5,437
Other assets	13,007	15,909
Total assets	**246,654**	**241,677**
LIABILITIES		
Amounts owed to banks	36,503	58,576
Amounts owed to customers	125,184	112,559
Debt securities in issue	40,282	23,662
Other liabilities	13,163	19,340
Shareholders' equity	31,522	27,540
Total liabilities and shareholders' equity	**246,654**	**241,677**

Included in shareholders' equity are non-distributable statutory reserves of CZK 18,686m as at 31 December 1999 and CZK 15,395m as at 31 December 1998.

Condensed cash flow statements

(CZKm)	1999	1998
Net cash flow from operating activities before income tax	11,151	428
Net income tax (paid) received	(804)	520
Net cash flow from operating activities	10,347	948
Net cash flow from investing activities	(1,169)	(1,861)
Net cash flow from financing activities	721	(438)
Effect of exchange rate changes on cash and cash equivalents	160	(513)
Net increase (decrease) in cash and cash equivalents	**10,059**	**(1,864)**

35. SIGNIFICANT SUBSIDIARY AND JOINT VENTURE COMPANIES

The following are the significant subsidiaries and joint venture of CSOB as at 31 December 1999 and 1998:

Name	Country of incorporation	Voting power held
Prager Handelsbank AG	Germany	100 %
Finop Holding, a.s.	Czech Republic	84 %
OB Leasing, a.s.	Czech Republic	100 %
OB Leasing, a.s.	Slovak Republic	100 %
Business Center, s.r.o.	Slovak Republic	100 %
O.B. Heller, a.s.	Czech Republic	50 %

36. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. KBC Bank and Insurance Holding Company N.V. controls directly and indirectly 82.34 % of CSOB voting shares (Note 3). Almanij N.V. has control of KBC Bank and Insurance Holding Company N.V. through its 68 % voting power.

A number of banking transactions are executed with related parties and employees in the normal course of business. These transactions were carried out on normal commercial terms and conditions and at market rates, except for certain transactions with CSOB directors and eligible employees, who can obtain better deposit rates. CSOB's directors are offered the same transaction terms that are available to other eligible CSOB employees. The outstanding balances from related party and employee banking transactions are as follows:

	Loans and advances to banks and customers		Amounts owed to banks and customers	
(CZKm)	**31.12.1999**	**31.12.1998**	**31.12.1999**	**31.12.1998**
Directors and employees	214	184	1,357	1,023
KBC Bank N.V.	18,415	0	6	0
Unconsolidated subsidiaries and associated companies	8,241	9,916	924	574

In 1999 the total remuneration of the Board of Directors approximated CZK 18.65m (1998: CZK 14.04m).

The loans to KBC Bank N.V., as at 31 December 1999, were collateralised by Belgian-state obligations, market value of CZK 16,030m, held directly in the name of CSOB and can, therefore, be readily sold at any time.

37. DIVIDEND

The Board of Directors is expected to propose a 1999 dividend of CZK 1,406m to the Annual General Meeting scheduled for 13 April 2000. The financial statements for the year-ended 31 December 1999 do not reflect this proposal. The amount of the 1999 dividend ratified by the Annual General Meeting will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2000.

38. POST BALANCE SHEET EVENTS

The Group is currently undergoing changes to its business operations through the implementation of a series of change programmes and projects which are fully supported by KBC. As a result of these initiatives, significant operational changes are occuring in order to fulfill the strategic ambitions of the Group and to realise the synergies and economic benefits from being a member of the KBC Banking and Insurance Group. The potential financial impact from those changes cannot be estimated at this time.

SUPPLEMENTAL FINANCIAL INFORMATION

PROFITS FOR THE YEAR RECONCILIATION

A reconciliation of the Czech Accounting Standard (CAS) and the International Accounting Standard (IAS) unconsolidated profits for the years ended 31 December 1999 and 1998 is set out below:

(CZKm)	**1999**	**1998**
Profit for the year - CAS	**5,197**	**3,368**
Adjustments in respect of:		
Deferred income tax	(1,258)	(476)
Trading derivatives and securities mark-to-market differences	(878)	(149)
Sale of own shares	(297)	0
Foreign exchange differences	11	112
Social fund and Board bonuses accrual	(83)	(80)
Investment securities valuation differences	(45)	(24)
Equity method accounting - Shares in Group companies	48	251
Other	128	157
Profit for the year - IAS	**2,823**	**3,159**

SHAREHOLDERS' EQUITY RECONCILIATION

A reconciliation of the CAS and the IAS unconsolidated shareholders' equity balances as at 31 December 1999 and 1998 is set out below:

(CZKm)	**31.12.1999**	**31.12.1998**
Shareholders' equity - CAS	**29,268**	**24,146**
Adjustments in respect of:		
Equity method accounting - Shares in Group companies	2,625	1,870
Net deferred tax (liability) asset	(163)	1,095
Trading derivatives and securities mark-to-market differences	(292)	586
Reclassification of treasury shares to shareholders' equity	(24)	(164)
Reclassification of social fund to liabilities	(119)	(116)
Social fund and Board bonuses accrual	(80)	(75)
Translation reserve	90	66
Investment securities valuation differences	(68)	(25)
Other	285	157
Shareholders' equity - IAS	**31,522**	**27,540**

Annual finacial statements under Czech Accounting Standards

The Bank's 1999 annual financial statements under Czech Accounting Standards are contained in the Czech language version of CSOB's annual report. Those financial statements were given an unqualified opinion by auditors PricewaterhouseCoopers Audit, s. r. o. A copy of CSOB's annual report in Czech language can be obtained from the Bank's Communications Department.

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REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS
OF ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.

We have audited the accompanying consolidated balance sheet of Československá obchodní banka, a.s. and its subsidiaries ("the Group") as at 31 December 1999 and the related consolidated profit and loss and cash flow statements and statement of changes in equity for the year then ended. These financial statements and the underlying accounting records are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 1999, and the results of its operations, changes in shareholders' equity and cash flows for the year then ended, in accordance with International Accounting Standards.

29 February 2000

PricewaterhouseCoopers

PricewaterhouseCoopers Audit, s.r.o.

Chief economist's report on the 1999 macroeconomic development

CZECH REPUBLIC

For the Czech Republic, 1999 was a year of overcoming economic decline. The trend of reducing the external and internal imbalance continued. The government's economic policy was slightly expansionist thus supporting efforts to overcome economic recession. The Czech central bank (CNB) was flexible in adapting its monetary policy towards actual and expected price developments as well as other significant economic indicators. In April the central bank formulated its long-term monetary strategy.

After the first quarter, when GDP fell by a 3.3 %, the following quarter saw **GDP stabilise and begin to grow**. All GDP demand components promoted growth except for investment, whose decrease continued in 1999 (-5.5 %). The negative investment trend was the consequence of the high levels of fixed investment in prior years, the restrictive economic policy of previous years and the low profitability of domestic companies (profitability being the main source of funds for investment).

Economic growth was also assisted by the **low inflation rate** (2.1 %), which resulted from decreases in the prices of foodstuffs, raw materials imported (during the first half of 1999) and the scope of price deregulation measures (only rent and consumption tax were increased). For most of the year the net inflation rate, target criterion of the CNB, was negative resulting in another "undershooting" of the inflation target (target rate 4-5 %, actual rate 1.5 %). The CNB used the development of this indicator to set its **monetary policy**: during 1999 it reduced its key two-week repo rate from 9 % to 5.25 % (other rates, discount and Lombard, dropped from 7.5 % to 5 % and from 12.5 % to 7.5 % respectively). The CNB reduced the compulsory minimum reserve rate during 1999 from 7.5 % to 2 %. These trends influenced the decrease in the banking sector's interest rate margins. The decrease in the official CNB interest rates was followed by decreases in the interbank market rates and the rates offered to customers, which should eventually have a favourable effect on the performance of the business sector.

In respect of the development of the Czech Republic's external relation, two significant favourable aspects can be noted. The first was a positive development in the **current account** of the balance of payments as the deficit decreased from 2.4 % to 2.0 % of GDP. The foreign trade balance deficit (previously a problem for the Czech economy) decreased in 1999 to CZK 70bn in spite of price increases in oil during the second half of 1999. The second positive characteristic was the significant increase in **direct foreign investment**, from USD 2.7bn to USD 4.9bn in 1999. This is a reflection of the increased interest in long-term investment into the Czech Republic as well as the successful privatisation of state assets (including the sale of the majority

Czech-state share in CSOB). The privatisation intentions for the future promise to extend this trend to 2000 and 2001. These positive tendencies helped support the CZK exchange rate.

The employment market was characterised by a continuing increase in the national **unemployment rate** by almost 2 %, with regions outside of Prague suffering higher rates. This trend can be connected with the continuing restructuring of the business sector. After a previous decrease, labour costs, expressed in terms of average wages, grew by 6.0 % in 1999.

Despite the improving macroeconomic situation, the improvement has not yet been realised in the commercial companies. This had an impact also on the performance of banks in the Czech Republic.

The **banking sector** continued its revitalisation process in 1999 through either internal means to tackle classified loan problems or external state assistance, which is the case for the two biggest domestic banks to prepare them for privatisation. Credit volumes continued to indicate a decline in overall lending activity, but this is partially offset by the write-off of bad loans or their transfer from the banking sector. This trend was, however, mainly a consequence of unresolved problems of the systematic, institutional and legal framework of the Czech economy (especially with respect to creditor-debtor relations). Not even the positive change in the customer focus of banks from those with problems to those with perspective such as foreign-owned, retail and the like could make up for those negative influences. Nevertheless, the development of customer loans granted in 1999 already indicates that the credit crunch phenomenon is gradually diminishing.

Macroeconomic indicators of the Czech Republic 1995-1999

Indicator	Unit	1995	1996	1997	1998	1999
GDP	annual growth in %	5.9	4.8	(1.0)	(2.2)	(0.2)
Industrial production	annual growth in %	4.3	2.0	4.5	1.6	(3.1)
Building production	annual growth in %	8.5	(5.3)	(3.9)	(7.0)	(6.5)
Inflation rate	annual average in %	9.1	8.8	8.5	10.7	2.1
Net inflation rate	at year-end in %	7.3	6.6	6.8	1.7	1.5
Unemployment rate	at year-end in %	2.9	3.5	5.2	7.5	9.4
Balance of payments						
- Current account	USDm	(1,369.1)	(4,292.2)	(3,211.0)	(1,335.7)	(1,058.2)
- Capital account	USDm	8,232.7	4,184.9	1,091.8	2,925.2	2,481.4
Trade balance	CZKbn	(95.7)	(157.7)	(139.3)	(78.6)	(69.9)
Foreign exchange reserves of CNB	USDbn	14.0	12.4	9.8	12.6	12.8
Gross foreign indebtedness	USDbn	16.5	20.8	21.4	24.0	22.6
Money supply (M2)[1]	annual growth in %	19.8	9.2	10.1	5.2	8.1
Interest rates on credits	annual average in %	12.8	12.5	13.2	12.9	8.7
Interest rates on deposits	annual average in %	7.0	6.8	7.7	8.1	4.5
Exchange rate CZK/USD	annual average	26.6	27.1	31.7	32.3	34.6
Exchange rate CZK/DEM	annual average	18.5	18.1	18.3	18.3	18.9

[1] net, float and short-term operations of some banks and SPT Telecom contribution were eliminated

Source: CNB, Czech Statistical Office

SLOVAK REPUBLIC

The share of the Czech Republic's foreign trade with the Slovak Republic is diminishing in significance; however, there is another relatively new economic dimension - the Slovak Republic as a **financial emerging market**. For CSOB there is also the traditional aspect of involvement in the Slovak market.

The price of the Slovak government's and central bank's restrictive economic policy, brought on by the public finance deficit and the current account deficit, was a **decrease in economic growth** and an increase in the unemployment rate, to as high as over 19 %. As a result of the necessary correction of price relationships, there was a high double-digit inflation rate.

After a period of significant imbalance in the Slovak economy, accompanying overheating, a positive trend in the **current account** of the balance of payments was realised. After three years of the current account deficit exceeding 10 %, as a percentage of GDP, it decreased to 5.8 % in 1999. The Slovak economic policy aiming to restrict growth in domestic demand (as well as taking certain protectionist measures) contributed to this development. The improvement in foreign trade, which countered the negative effects of high domestic demand and the decrease in foreign investment, mitigated the decline in GDP.

Gross **foreign indebtedness** decreased year-on-year, but only because of an administrative change at the National Bank of Slovakia (NBS) cancelling its foreign exchange restrictions.

The planned **state budget** deficit was maintained only because of considerable extraordinary revenues, mainly from the NBS and the introduction of import duty, as the original fiscal target was too optimistic in 1999.

Despite its rocky start in 1999, the government took proper steps to: (1) reduce its demand for interbank funding, (2) agree swift deregulation of prices and state budget savings, (3) get the privatisation process on track and (4) begin resolving the accumulated problems in the banking sector. The main problem of the banking sector is the high proportion of classified loans, the volume of which reached 22 % of GDP in November 1999. The banking sector consolidation programme involves removing a substantial portion of these loans (approximately SKK 67bn) from the largest banks and transferring them into a special institution. At the same time, a strengthening of the capital of these banks has taken place. The aim is to ensure these banks reach a capital adequacy ratio of 8 % so that they may be privatised.

A big challenge for the Slovak government is to intensify the inflow of **foreign capital** in the form of direct investment. Excluding the sale of the NBS's shareholding in CSOB, the Slovak Republic continues to be an outsider in this respect in comparison with the other transition economies of Central Europe. In view of the government's privatisation plans, the increase in investment incentives and the overall improvement in the image of the Slovak Republic, we can expect an improvement in foreign investment. The success in reducing the Slovak economic imbalances has positively affected the SKK exchange rate and after the overshooting in May 1999, it consistently strengthened over the remainder of the year.

Macroeconomic indicators of the Slovak Republic 1995-1999

Indicator	Unit	1995	1996	1997	1998	1999
GDP	annual growth in %	6.9	6.6	6.5	4.4	1.9
Industrial production	annual growth in %	8.3	2.5	2.7	5.0	(3.4)
Building production	annual growth in %	2.9	4.4	9.2	(3.5)	(25.8)
Inflation rate	annual average in %	9.9	5.8	6.1	6.7	10.6
Unemployment rate	at year-end in %	13.1	12.8	12.5	15.6	19.2
Balance of payments						
– Current account	USDm	391.4	(2,098.1)	(1,952.3)	(2,063.1)	(1,082.9)
– Capital account	USDm	1,053.9	2,192.2	1,807.4	1,843.8	1,795.2
Trade balance	SKKbn	(5.7)	(70.3)	(70.0)	(82.9)	(45.7)
Foreign exchange reserves of NBS	USDbn	3.4	3.5	3.3	2.9	3.4
Foreign exchange reserves total	USDbn	5.0	5.7	6.5	6.1	4.4
Gross foreign indebtedness	USDbn	5.8	7.8	9.9	11.9	10.5
Money supply (M2)	annual growth in %	21.2	16.6	8.9	2.7	12.3
Interest rates on credits	annual average in %	15.6	13.7	14.9	16.7	15.5
Interest rates on deposits	annual average in %	9.0	6.7	8.0	10.2	10.5
Exchange rate SKK/USD	annual average	29.6	30.7	33.6	35.2	41.4
Exchange rate SKK/DEM	annual average	20.7	20.4	19.4	20.1	22.5

Source: NBS, Statistical Office of the Slovak Republic

CSOB's CONTRIBUTION TO THE CREATION OF SOCIAL VALUES

The creation of the Bank's good name stems not only from its business results but also from its contribution to the creation of social values in the environment in which it is active. The Bank has therefore implemented a consistent sponsorship programme with a pronounced positive impact on the direct beneficiaries as well as a benefit for the society.

In 1999 CSOB continued its traditional support of four basic areas: culture, charity, education and sport. The area of culture includes co-operation with the Czech Commission for UNESCO and direct support of selected projects under the UNESCO auspices. The Bank is also a partner of the Arts and Crafts Museum in Prague, and it also participates in a series of performances called The Czech Theatre. In the area of charity and education, the Bank co-operates with the Education Fund of the Goodwill Committee and Olga Havlová's Foundation. The area of sport included the support of the Paralympic team and junior tennis.

The Bank promotes projects advancing significant social values, such as ethics, social commitment and reliability. In that way CSOB belongs to those who try to create values and who strive to be the best possible citizens of the society.

CSOB's FINANCIAL GROUP

OB LEASING, A.S.

Type of business:		**Leasing**
Date of establishment:		31 October 1995
Shareholder structure as at 31 Dec. 1999:	CSOB	100%
Share capital, in CZKm:		600

O.B. HELLER, A.S.

Type of business:		**Factoring**
Date of establishment:		18 June 1992
Shareholder structure as at 31 Dec. 1999:	CSOB	50%
	NMB-Heller Holding N.V., The Netherlands	50%
Share capital, in CZKm:		35.4

O.B. INVEST, INVESTIČNÍ SPOLEČNOST, A.S.

Type of business:		**Collective investment**
Date of establishment:		2 November 1991
Shareholder structure as at 31 Dec. 1999:	CSOB	100%
Share capital, in CZKm:		25

CONSILIUM, S.R.O.

Type of business:		**Advisory services**
Date of establishment:		22 November 1994
Shareholder structure as at 31 Dec. 1999:	CSOB	60%
	Rothschild Group	40%
Registered capital, in CZKm:		30

PRAGER HANDELSBANK AG

Type of business:		**Banking services**
Date of establishment:		23 October 1989
Shareholder structure as at 31 Dec. 1999:	CSOB	100 %
Share capital, in CZKm:		554.2

OB LEASING, A.S.

	1999	1998	1997
Volume of leasing contracts, in CZKbn:	8.1	6.2	5.2
Number of contracts:	14,800	10,300	11,500
Market share in CR (in %) (measured by volume of contracts):	10	10	8

OB Leasing, a.s., provides financial leasing for machines, equipment, manipulation machinery, computer hardware, office equipment, agricultural machinery and selected real estate. In the area of transport equipment, all kinds of transport vehicles are financed. Leasing of vehicles makes up 80 % of total commercial turnover. Brand leasing is provided for the importers of vehicles: Alfa Romeo, BMW, Citroën, Fiat, Hyundai, Mazda, Kia, Suzuki.

For all financing, it is possible to choose the schedule of principal repayment, the amount of downpayment and whether interest is set as floating or fixed. Financial leasing is offered to customers in CZK as well as in foreign currencies (EUR, USD). In 1999, new products were introduced on the market: *Personal Leasing* - a product for non-entrepreneurs and *PRIBORplus* - a product for the entrepreneurial sector. The advantage of *PRIBORplus* is a linkage of the product to the development of the money price on the interbank market; in particular, it concerns the relationship of the leasing interest rate to 3M PRIBOR. In co-operation with its parent Bank, the company offers *structured finance leasing – loan.* Customers are serviced through agents and within the company's own network of branches. The branches are located in thirteen towns throughout the Czech Republic. OB Leasing was the first financial leasing company in the Czech Republic to successfully implement, in May 1999, a system of quality assurance based on ISO 9002 standards.

The company fulfilled its annual business/financial plan also in 1999 and defended its third position among Czech leasing companies. Finance lease volume reached CZK 8.1bn in the year 1999, an increase of 32 % compared to 1998. The most significant increase in the volume of lease contracts was reached in leased vehicles, where the volume of concluded leasing deals grew 40 %.

The business activities in Slovakia were carried out through its subsidiary OB Leasing, a.s., based in Bratislava. The volume of its finance leases reached SKK 1.6bn in 1999.

For 2000, the company intends to further continue developing its product range and focus on satisfying customer needs with quality services.

Address:
Roháčova 1148/63, 130 00 Praha 3

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Telephone: (420-2) 22012122
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E-mail: info@obleasing.cz
Internet: www.obleasing.cz

O.B. HELLER, A.S.

Turnover of assigned claims,	1999	1998	1997
in CZKbn:	8.3	5.6	5.4

O.B. Heller, a.s., provides the following factoring services:

- domestic factoring with recourse
- domestic factoring without recourse
- export factoring
- import factoring
- factoring by maturity
- administration of claims
- consultancy

A simplified definition of factoring is a means of financing short-term claims arising from the deliveries of goods or services provided on unsecured credit on the basis of their assignment to a factoring company. This financial service includes comprehensive administration, dunning and collection of claims, taking over the risk connected with non-payment and advice leading to the elimination of doubtful or irrecoverable claims.

Factoring services are used mainly by medium-sized and smaller companies specialising in the delivery of mostly consumer goods which do not require a higher level of security, such as bank guarantees, bank bills of exchange or letters of credit. Customers appreciate the immediate improvement in liquidity and professional claims administration, including comprehensive risk management.

The year 1999 was very successful for O.B. Heller, a.s. – its turnover reached CZK 8.3bn, which is a 46% increase over the previous year. The company thus managed to keep its dominate position in the domestic factoring market. Its Slovak subsidiary, OB HELLER Factoring, a.s., based in Bratislava, also had a successful 1999 when its turnover reached SKK 2.1bn, a 71% increase over 1998.

In 2000, the company plans to further expand by capitalising on the good international reputation of both shareholders and continue its successful operations on the Czech market.

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Internet: www.obheller.cz

O.B. INVEST, INVESTIČNÍ SPOLEČNOST, A.S.

Volume of administered assets,	1999	1998	1997
in CZKbn:	2.6	2.6	2.7
Market share in CR (in %)			
(measured by volume of administered assets):	4	2	2

O.B. INVEST administers share-type (podílové), investment-type and pension funds, collects resources from investors and establishes share funds. Due to its more than eight-year old tradition, it belongs to the oldest investment companies in the Czech Republic and has taken a significant position among them not only with regard to the volume of administered assets, but also with regard to administration, professionalism, transparency and creditworthiness. By the volume of administered assets, which make up about 4 % of assets administered by Czech investment companies, O.B. INVEST ranks among the first ten investment companies.

In 1999, the renowned rating agency Duff & Phelps granted the company an AA_{ic} rating, which in other words means "high quality". The rating confirms the overall creditworthiness and reliability of the company as an administrator. An important element was also the availability of information and transparency of administration of both the company itself and the individual funds. The agency also granted an initial rating to both the investment funds. They were granted an AA_{if} rating in the domestic currency, which also means "high quality".

At present, the company administers two investment-type funds and four open-ended share funds with total assets of almost CZK 2.6bn for approximately 66 thousand clients. Shares and share certificates of all funds, with the exception of the OB KVANTO Globální listinný (OB KVANTO Global share certificate fund), are publicly tradable. To sell and repurchase share certificates, O.B. INVEST uses CSOB's network of branches. CSOB, a.s., functions as a depository for the whole group of administered funds. The co-operation with CSOB is important also in the area of analyses, where the Bank acts as a provider of analytical information on macroeconomic trends and the capital markets.

In 1999, the company grew the funds of its clients by up to 19 % in the case of the open-ended share fund OB KVANTO Svět (OB KVANTO World) which was thus the eighth best open-ended share fund traded on the Czech market last year. The other funds also achieved positive appreciation despite the fact that their portfolios had to be maintained with highly liquid investments because of the necessity to facilitate potential client redemption of open-ended funds or because of the prepared transformation of investment funds.

For 2000, the company anticipates further intensive development in closer co-operation with CSOB, a.s., and its majority owner, KBC Bank, and the establishment of specific investment strategies for individual funds, broadening thus the offer of quality products in the area of collective investment.

Funds administered by O.B. INVEST, investiční společnost, a.s. (O.B. INVEST, Investment Company, a.s.):

Investment funds:

KVANTO, investiční privatizační fond, a.s. (KVANTO, Investment Privatisation Fund, a.s.)
Zlatý investiční fond Kvanto, a.s. (Golden Investment Fund Kvanto, a.s.)

Share funds:

OB KVANTO Svět, O.B. INVEST, investiční společnost, a.s., otevřený podílový fond (OB KVANTO World, an open-end share fund)
OB KVANTO Globální, O.B. INVEST, investiční společnost, a.s., otevřený podílový fond (OB KVANTO Global, an open-end share fund)

OB KVANTO Českomoravský, O.B. INVEST, investiční společnost, a.s., otevřený podílový fond (OB KVANTO Českomoravský, an open-end share fund)
OB KVANTO Globální listinný, O.B. INVEST, investiční společnost, a.s., otevřený podílový fond (OB KVANTO Global Share Cerificate Fund, an open-end share fund)

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Info line: 0800 1000 30
Internet: www.obinvest.cz

CONSILIUM, S.R.O.

Consilium, s.r.o., provides corporate finance advisory services in both the Czech and Slovak Republics. The range of specialised advisory products and services includes the following areas:

- mergers and acquisitions, divestitures and inward direct investments
- capital market transactions
- privatisation (buy and sell-side)
- financial restructuring and debt advisory
- management and leveraged buy-outs
- project finance

Advisory services typically include, for example in the case of divestments, recommendation of the sale method, valuation of the company to be sold, preparation of the sales document, identifying and approaching potential investors, organisation of due diligence of company, evaluation of investors' bids, negotiations with investors, assistance to legal advisors in drafting the sales and purchase agreement, negotiation of such an agreement and the settlement of the transaction.

Consilium combines Rothschild Group's world-wide experience and business contacts with CSOB's knowledge of the local market and its own experience.

The investment banking boutique Consilium, s.r.o. maintained its leading position in the corporate finance advisory market in 1999 and confirmed its reputation as being a provider of high-quality advisory services, while adhering to the strictest professional and ethical standards. The most significant transaction completed last year was the sale of a majority stake in the joint-stock company Keramika Horní Bříza to a foreign strategic investor.

For 2000, Consilium sees its largest opportunities in the privatisation of major Czech companies and banks and also in the process of revitalisation of industrial enterprises that will have to look for strong investors.

Address:
Na Příkopě 15, 110 00 Praha 1

Connection:

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Fax: (420-2) 72143800
E-mail: consilium@consilium.cz

PRAGER HANDELSBANK AG

	1999	1998	1997
Total assets, in CZKbn:	8.0	8.6	8.2

Prager Handelsbank AG (PHB) was founded as a joint venture bank of five financial institutions from Czechoslovakia, Germany and Austria. In September 1997, it became a 100% subsidiary of CSOB.

In 1999, PHB integrated itself fully with CSOB in regards to risk management and providing services to Czech and German corporate customers. PHB's activities continued in 1999 as in previous years.

Postal address:

Postfach 16 06 64, D-60069 Frankfurt am Main

Seat:

Gutleutstrasse 32, D-60329 Frankfurt am Main

Connection:

Telephone: (49-69) 273040
Fax: (49-69) 27304222

SUPERVISORY BOARD OF DIRECTORS OF CSOB

(as at 15 April 2000)

Chairman:	**Remi Vermeiren**	President, KBC Bank
Vice-Chairman:	**Herman Agneessens**	Managing Director, KBC Bank
Members:	**William Duron**	Managing Director, KBC Bank
	Francois L. Florquin	Managing Director, KBC Bank
	Farida Khambata	Director Treasury, IFC
	Gavin Anderson	Director Operations Policy and Product Development, EBRD

Board of directors of CSOB

(as at 15 April 2000)

Pavel Kavánek (born: December 8, 1948)
Chairman of the Board of Directors and Chief Executive Officer of CSOB

Pavel Kavánek graduated from the Prague School of Economics and completed The Pew Economic Freedom Fellowship at Georgetown University. He has been working at CSOB since 1972. Since 1991, he has been a member of the Board of Directors. Since 1993, he has been the Chairman of the Board of Directors and Chief Executive Officer of CSOB.

Josef Tauber (born: January 27, 1947)
Vice-Chairman of the Board of Directors and Senior Executive Officer of CSOB

Josef Tauber graduated from the Prague School of Economics. He has been working at CSOB since 1973. From 1986, he headed CSOB's representative office in Frankfurt am Main, and then he was a member of the Board of Directors of Prager Handelsbank AG, Frankfurt am Main. Since 1993, he has been the Vice-Chairman of the Board of Directors and a Senior Executive Officer of CSOB.

Vladimír Staňura (born: March 18, 1955)
Member of the Board of Directors and Senior Executive Officer of CSOB

Vladimír Staňura graduated from the Prague School of Economics and from Erasmus University, Rotterdam School of Management. He has been working at CSOB since 1978. In 1990 he was appointed manager of the Foreign Exchange Department of CSOB. Since 1991, he has been a member of the Board of Directors and Senior Executive Officer of CSOB.

Petr Knapp (born: May 7, 1956)
Member of the Board of Directors and Senior Executive Officer of CSOB

Petr Knapp graduated from the Prague School of Economics. In 1979, he started working at CSOB. In 1991, he was appointed manager of the Corporate Lending Department of CSOB, and later he was appointed manager of the Credit Section. Since 1996, he has been a member of the Board of Directors and Senior Executive Officer of CSOB.

Jan Lamser (born: December 8, 1966)
Member of the Board of Directors and Senior Executive Officer of CSOB

Jan Lamser graduated from the School of Physics and Mathematics of Charles University, from the Prague School of Economics and from the Ecole des Hautes Etudes Commerciales, Paris. He has been working at CSOB since 1995 and, since 1997, he has been a member of the Board of Directors. In 1998, he was appointed head of the Strategic Development Department, and, since 1999, he has been the Senior Executive Officer responsible for the area of finance and business support.

Ladislav Unčovský (born: April 15, 1965)
Member of the Board of Directors and Senior Executive Officer of CSOB

Ladislav Unčovský graduated from the Bratislava School of Economics and from Universites D'Aix, Marseille. In 1997 he entered CSOB and in 1998 he was appointed manager of the foreign branch in the Slovak Republic. Since June 1998, he has been a member of the Board of Directors and Senior Executive Officer of CSOB.

Carl Rossey (born: May 16, 1961)
Member of the Board of Directors and Senior Executive Officer of CSOB

Carl Rossey graduated from the State University of Ghent with a Masters in Electrotechnical Engineering (major in informatics), obtained a Masters degree in Industrial Engineering (Vlerick School Ghent) and has an MBA (INSEAD in Fontainebleau). At KBC Bank, he started as project manager for business reengineering and became head of Organisation. At the time of the KBC merger, he was heading the overall merger programme and became General Manager of Organisation. Since August 1999, he has been a member of the Board of Directors and Senior Executive Officer of CSOB.

MANAGERS OF CSOB HEAD OFFICE

(as at 15 April 2000)

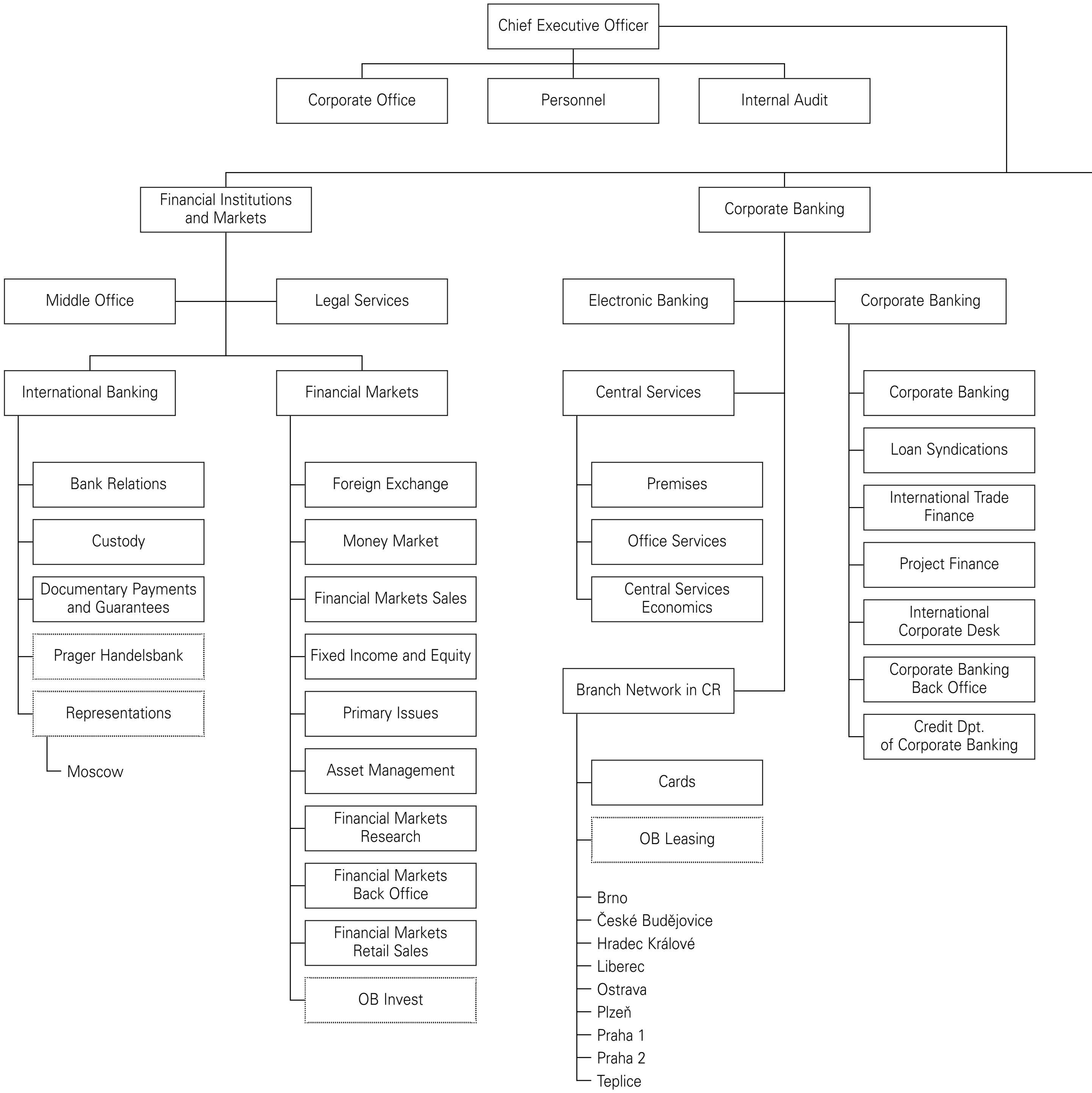
		PHONE	FAX
CHIEF EXECUTIVE OFFICER	Pavel Kavánek	(420-2)24112000	(420-2)24225282
Corporate Office	Petr Blažek	(420-2)24112144	(420-2)24225282
Personnel	Jiří Šrámek	(420-2)24112012	(420-2)24217321
Internal Audit	Ladislav Kopecký	(420-2)61356006	(420-2)262634
FINANCIAL INSTITUTIONS AND MARKETS	Josef Tauber	(420-2)24112006	(420-2)24223941
Middle Office	Ladislav Vašků	(420-2)61353601	(420-2)61353802
Legal Services	Karel Kaloč	(420-2)61356002	(420-2)261228
International Banking	Miloslav Dudek	(420-2)24112065	(420-2)24243515
Bank Relations	Martin Hlavnička	(420-2)24112060	(420-2)24236262
Custody	Radovan Tlamsa	(420-2)61356009	(420-2)61356500
Documentary Payments and Guarantees	Antonín Eisenreich	(420-2)24113002	(420-2)24113800
Financial Markets	Tomáš Novák	(420-2)61353550	(420-2)61353324
Foreign Exchange	Václav Bakule	(420-2)61353506	(420-2)61353319
Money Market	Dušan Vaškovic	(420-2)61353510	(420-2)61353319
Financial Markets Sales	Petr Korous	(420-2)61353545	(420-2)61353324
Fixed Income and Equity	Martin Burjánek	(420-2)61353530	(420-2)61353354
Primary Issues	Hana Srbová, acting man.	(420-2)61353080	(420-2)61353330
Asset Management	Petr Vlasák	(420-2)61357270	(420-2)61357560
Financial Markets Research	Jozef Kovalovský	(420-2)61353121	(420-2)61353334
Financial Markets Back Office	Jozef Sinčák	(420-2)61353048	(420-2)61353329
Financial Markets Retail Sales	Jan Barta	(420-2)61353540	(420-2)24113354
CORPORATE BANKING	Vladimír Staňura	(420-2)24112008	(420-2)24224556
Electronic Banking	Tomáš Brouček	(420-2)24112117	(420-2)24112463

		PHONE	FAX
Corporate Banking	Jan Blaho	(420-2)61353020	(420-2)24230276
Corporate Banking	Jan Krob	(420-2)61353070	(420-2)24230328
Loan Syndications	Ivan Horák	(420-2)61353090	(420-2)24230310
International Trade Finance	Jana Švábenská	(420-2)61353055	(420-2)24230308
Project Finance	Lenka Kostrounová	(420-2)61353100	(420-2)24230355
International Corporate Desk	Koen Wilmots	(420-2)61353060	(420-2)61353338
Corporate Banking Back Office	Miluše Kozáková	(420-2)61353071	(420-2)24230311
Credit Department of Corporate Banking	Vlasta Hudcová	(420-2)61353155	(420-2)24230334
Branch Network in the Czech Republic	Tomáš Burian	(420-2)24112132	(420-2)24243543
Cards	Roman Kotlán	(420-2)24113120	(420-2)24218957
Central Services	Jiří Konečný	(420-2)24112152	(420-2)24112774
Premises	Luděk Schollar	(420-2)61355181	(420-2)61355348
Office Services	Vojtěch Kačena	(420-2)61355200	(420-2)61355373
Central Services Economics	Karel Muchna	(420-2)61355216	(420-2)61355374
RETAIL BANKING AREA	Dirk Hinze, acting man.	(420-2)61355104	(420-2)61355436
RISK MANAGEMENT AREA	Petr Knapp	(420-2)61357160	(420-2)61357532
Risk Management	Roman Somol	(420-2)61353000	(420-2)61353326
Credit Risk Management	Roman Kalina	(420-2)61357100	(420-2)61357545
Bad Debt Recovery	Zbyněk Vrbata	(420-2)61357190	(420-2)61357540
Bilateral Agreements and Debt Trading	Antonín Peterský	(420-2)61357188	(420-2)61357580
Administration of Ceded Receivables in CR	Miloslav Hynek	(420-2)66710061/234	
Central Purchasing	Ctibor Melovský	(420-2)61354535	(420-2)61354845
Mortgage Banking	Pavel Vyhnálek	(420-2)24113140	(420-2)24113344
FINANCE AND BUSINESS SUPPORT AREA	Jan Lamser	(420-2)24112128	(420-2)24243537
Group Financial Management	Kevin Cloughesy	(420-2)61357170	(420-2)61357537
Financial Accounting	Jitka Šlapalová	(420-2)61357008	(420-2)61357500
Planning and Controlling	Kevin Cloughesy	(420-2)61357170	(420-2)61357537
Asset and Liability Management	Petr Jaroš	(420-2)24112032	(420-2)24112350
Marketing	Petr Vocetka	(420-2)24112020	(420-2)24112418
Market Research	Jaromír Neuman	(420-2)24112083	(420-2)24112418
Development and Expansion	Ivan Rejzek	(420-2)61356063	
Chief Economist	Petr Chvojka	(420-2)24112024	(420-2)24243573
ORGANISATION AND INFORMATION SYSTEMS	Carl Rossey	(420-2)24112002	(420-2)24112513
Program Management			
Organisation and Processes	Jiří Hýbl	(420-2)61355600	(420-2)61355300

		PHONE	FAX
Information Systems	Zdeněk Kaplan	(420-2)61355100	(420-2)61355333
Information Technology	James Philip Wood	(420-2)61355261	(420-2)61355353
Projects and Programming	Martin Soukup	(420-2)61355130	(420-2)61355332
Information Support System Integration	Pavel Holec	(420-2)61355000	(420-2)61355353
Information Systems Security	Vladimír Hanousek, acting man.	(420-2)61355265	(420-2)61355333
Customer Services	Jana Taussigová	(420-2)61355240	(420-2)61355368
Information Technology in the Slovak Republic	Robert Poľanský	(421-7)59668250	(421-7)54414775

CSOB ORGANISATION STRUCTURE

(as at 15 April 2000)



- Retail Banking
- Foreign Branch in the Slovak Republic
- Risk Management
  - Risk Management
  - Credit Risk Management
  - Bad Debt Recovery
  - Bilateral Agreements and Debt Trading
  - Central Purchasing
  - Mortgage Banking
- Finance and Business Support
  - Group Financial Management
  - Financial Accounting
  - Planning and Controlling
  - Asset and Liability Management
  - Marketing*
  - Research
  - Development and Expansion
  - Chief Economist
- Organisation and Information Systems
  - Program Management
  - Organisation and Processes
  - Information Systems
    - Information Technology
    - Projects and Programming
    - Information Technology in SR
    - Information Support
    - System Integration
    - Information Systems Security
    - Customer Services

* including Communication and Marketing in FB in SR

OFFICES OF CSOB

(as at 15 April 2000)

OFFICES IN CR		TELEPHONE	FAX
HEAD OFFICE	Na Příkopě 14, 115 20 Praha 1	(420-2) 24111111	(420-2) 24225282
PRAHA 1	Na Poříčí 24, 115 20 Praha 1	(420-2) 24111111	(420-2) 24811545
	Na Příkopě 14, 115 20 Praha 1	(420-2) 24112036-7	(420-2) 24222897
	Václavské nám. 32, 115 20 Praha 1	(420-2) 24114401	(420-2) 24947553
PRAHA 2	Anglická 20, 120 00 Praha 2	(420-2) 61351111	(420-2) 61352400
	Na Pankráci 310, 140 21 Praha 4	(420-2) 61351111	(420-2) 61355329
BRNO	Šumavská 33, 611 40 Brno	(420-5) 41321101	(420-5) 41235224
	Výstaviště Brno, pavilon E, 648 00 Brno	(420-5) 41159725-8	(420-5) 41153076
BROUMOV	Přádlácká 89, 550 01 Broumov	(420-447) 523574	(420-447) 523373
BŘECLAV	17. listopadu 30, 690 02 Břeclav	(420-627) 360360	(420-627) 322140
ČESKÁ LÍPA	Mariánská 216, 470 01 Česká Lípa	(420-425) 882511	(420-425) 29340
ČESKÉ BUDĚJOVICE	Lannova tř. 3, 370 21 České Budějovice	(420-38) 7728111	(420-38) 7728209
	market OBI, Pražská třída 2540, 370 01 České Budějovice	(420-38) 7750201	(420-38) 7331138
	Senovážné nám. 2, 370 21 České Budějovice	(420-38) 58925	(420-38) 58302
ČESKÝ KRUMLOV	Špičák 136, 381 01 Český Krumlov	(420-337) 5651	(420-337) 711236
DĚČÍN	Zbrojnická 97/18, 405 02 Děčín IV	(420-412) 530140-3	(420-412) 530152
DVŮR KRÁLOVÉ NAD LABEM	Revoluční 62, 544 01 Dvůr Králové nad Labem	(420-437) 820361-2	(420-437) 820363
HODONÍN	Národní třída 17, 695 01 Hodonín	(420-628) 399611	(420-628) 25656
HRADEC KRÁLOVÉ	Břetislavova 1622, 502 00 Hradec Králové	(420-49) 5819111	(420-49) 5819411
CHEB	ul. 26. dubna 12, 350 11 Cheb	(420-166) 422576	(420-166) 436420
JABLONEC NAD NISOU	Komenského 17, 466 29 Jablonec nad Nisou	(420-428) 353111	(420-428) 26926
JAROMĚŘ	Husova 233, 551 01 Jaroměř	(420-442) 810 679	(420-442) 810680
JESENÍK	Karla Čapka 1147, 790 01 Jeseník	(420-645) 402173-4	(420-645) 402220
JIHLAVA	Matky Boží 9, 586 01 Jihlava	(420-66) 7310740-5	(420-66) 7310751
JINDŘICHŮV HRADEC	Rybniční 166/I, 377 01 Jindřichův Hradec	(420-331) 363144	(420-331) 361104
KARLOVY VARY	T.G.Masaryka 32, 360 21 Karlovy Vary	(420-17) 3166111	(420-17) 3228476
KLADNO	Osvobozených pol.vězňů 656, 272 01 Kladno	(420-312) 617301	(420-312) 626455
KLATOVY	nám. Míru 64/I, 339 01 Klatovy	(420-186) 59111	(420-186) 24647
KOLÍN	Karlovo nám. 71, 280 00 Kolín	(420-321) 732333	(420-321) 729609
LIBEREC	tř. 1.máje 18, 461 78 Liberec	(420-48) 5399111	(420-48) 5100740
	Frýdlantská 15, 461 78 Liberec	(420-48) 5104142-3	(420-48) 5104137
MARIÁNSKÉ LÁZNĚ	Hlavní 51, 353 01 Mariánské Lázně	(420-165) 601611	(420-165) 623496
MĚLNÍK	nám. Karla IV 200, 276 01 Mělník	(420-206) 625814-15	(420-206) 625 816
MLADÁ BOLESLAV	tř. 9. května 434, 293 01 Mladá Boleslav	(420-326) 711211	(420-326) 28162
MOST	tř. Budovatelů 2830, 434 01 Most	(420-35) 23554	(420-35) 22351
NÁCHOD	Karlovo nám. 84, 547 01 Náchod	(420-441) 411111	(420-441) 411237

		TELEPHONE	FAX
OLOMOUC	Dolní nám. 28-29, 772 00 Olomouc	(420-68) 5501111	(420-68) 5229309
OPAVA	Ostrožná 17, 746 01 Opava	(420-653) 689111	(420-653) 625687
OSTRAVA	Hollarova 5, 702 37 Ostrava	(420-69) 6106111	(420-69) 6106400
PARDUBICE	Pernštýnské nám. 51, 530 02 Pardubice	(420-40) 6049311	(420-40) 6049370
PÍSEK	Velké nám. 116, 397 01 Písek	(420-362) 751111	(420-362) 751200
PLZEŇ	Americká tř. 60, 305 55 Plzeň	(420-19) 7219111	(420-19) 7237126
	Kopeckého sady 8, 305 55 Plzeň	(420-19) 7237054	(420-19) 7236824
PRACHATICE	Zvolenská 29, 383 01 Prachatice	(420-338) 24562	(420-338) 24562
PŘEROV	Čechova 2, 750 02 Přerov	(420-641) 205008-10	(420-641) 205007
PŘÍBRAM	Zahradnická 71, 261 80 Příbram	(420-306) 492828	(420-306) 28027
STRAKONICE	Lidická 514, 386 01 Strakonice	(420-342) 361111	(420-342) 361300
SVITAVY	nám. Míru 97, 568 02 Svitavy	(420-461) 530678	(420-461) 23506
ŠUMPERK	nám. Svobody 1, 787 01 Šumperk	(420-649) 380111	(420-649) 380311
TÁBOR	Palackého 357, 390 01 Tábor	(420-361) 251629	(420-361) 256095
TEPLICE	Kollárova 9, 415 02 Teplice	(420-417) 511111	(420-417) 28254
TRUTNOV	Havlíčkova 13, 541 01 Trutnov	(420-439) 830064	(420-439) 4550
ÚPICE	Regnerova 347, 542 32 Úpice	(420-439) 881227	(420-439) 881502
ÚSTÍ NAD LABEM	Hradiště 96, 400 21 Ústí nad Labem	(420-47) 5259911	(420-47) 5209155
VSETÍN	Smetanova 810, 755 01 Vsetín	(420-657) 613580-2	(420-657) 613586
ZLÍN	nám. T.G.Masaryka 4349, 762 23 Zlín	(420-67) 7004011	(420-67) 7004070

OFFICES IN SR

		TELEPHONE	FAX
FOREIGN BRANCH IN SR	Michalská 18, 815 63 Bratislava	(421-7) 59345111	(421-7) 54430530
BRATISLAVA	Krížna 46, 821 08 Bratislava	(421-7) 50656202	(421-7) 55425959
	Nám. SNP 29,812 25 Bratislava	(421-7) 59668157	(421-7) 54414764
	Lehockého 3, 812 25 Bratislava	(421-7) 57549103	(421-7) 398573
	Michalská 18, 815 63 Bratislava	(421-7) 59345700	(421-7) 54432834
BANSKÁ BYSTRICA	Horná 69, 975 50 Banská Bystrica	(421-88) 4146996	(421-88) 4146986
KOŠICE	Nám. Osloboditelov 5, 040 01 Košice	(421-95) 6111111	(421-95) 6228677
MARTIN	Červenej armády 1, 036 01 Martin	(421-842) 35244	(421-842) 34801
NITRA	Fraňa Mojtu 4, 949 01 Nitra	(421-87) 527581	(421-87) 527582
NOVÉ ZÁMKY	M.R. Štefánika 19, 940 01 Nové Zámky	(421-817) 444081	(421-817) 403960
POPRAD	ul. 1. mája 23, 058 01 Poprad	(421-92) 721045	(421-92) 721356
PREŠOV	Hlavná 96, 080 01 Prešov	(421-91) 721231	(421-91) 721242
PIEŠŤANY	Nám. Slobody 13, 921 01 Piešťany	(421-838) 7720401	(421-838) 7740478
PRIEVIDZA	Nám. Slobody 19, 971 01Prievidza	(421-862) 5420077	(421-862) 5421941
PÚCHOV	Ul. Športovcov 892, 020 01 Púchov	(421-825) 634786	(421-825) 634783
TRENČÍN	Vajanského 3, 911 50 Trenčín	(421-831) 464111	(421-831) 431577
TRNAVA	Starohájska 11, 917 01 Trnava	(421-805) 5445158	(421-805) 5446345
ŽILINA	Legionárska 1, 012 20 Žilina	(421-89) 5050111-2	(421-89) 5050580

REPRESENTATIVE OFFICE

		TELEPHONE	FAX
RUSSIAN FEDERATION	2-ja, Tverskaya Yamskaya 31/35 125 047 Moscow	(7-095)2325502	(7-095)2325503